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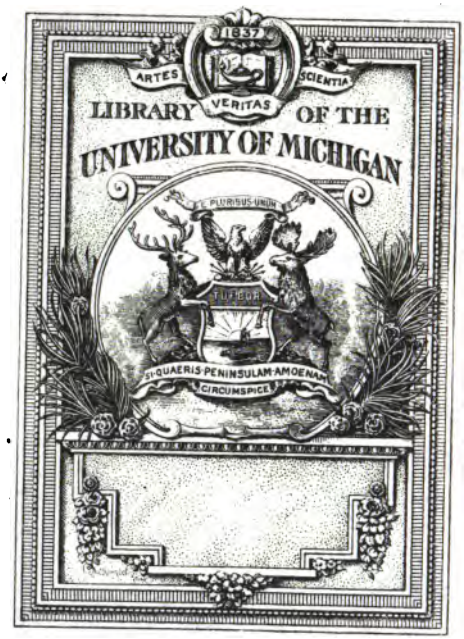
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The Trust: Its Book

The Trust: Its Book

BEING A PRESENTATION OF THE SEVERAL ASPECTS OF THE LATEST FORM OF INDUSTRIAL EVOLUTION

By

CHARLES R. FLINT, JAMES J. HILL,
JAMES H. BRIDGE, S. C. T. DODD,
AND FRANCIS B. THURBER

WITH NUMEROUS EXPRESSIONS OF REPRESENTATIVE OPINION AND A BIBLIOGRAPHY

Edited by JAMES H. BRIDGE

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INTRODUCTION

AMERICA'S COMMERCIAL PRIMACY AND THE TRUST

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THE industrial supremacy of the United States is the most recent and conspicuous fact of the age. The suddenness with which the Republic has seized upon the leadership of the world has left the old nations bewildered and afraid. Their alarm is justified. Her surprising progress in manufactures and mining, her great accumulation of wealth, her rapid development of the resources of her magnificent territory, her energetic utilization of the forces of nature, which have characterized the later years of her national life, but seem as the tentative efforts of a youth testing his newly-attained manhood. The century just past marked the growth of the nation to adolescence; the present one promises to witness the perfection of its maturity. For over a hundred years the American people have been welding themselves together as a nation. They have been occupied with the conquest of this great continent, and planning for its economical development. The work is done. With youthful vigour and ambition, flushed

with a century of success, the nation is now casting about for fresh fields to conquer, and the world is before her.

During her childhood, the nation grew as a child. Her numbers were repeatedly doubled in twenty-five years. Now, with a population double that of France, of Great Britain, of Italy, or of combined Spain and Scandinavia, her rate of growth still vastly exceeds that of any other country. It has taken France one hundred and fifty years to double her population. Now her numbers are diminishing; she is out of the race. England, whose natural increase has surpassed that of any other European power, took seventy years to double her numbers, and even that rate is no longer maintained. In seventy years America added to her numbers almost as many as the present population of France, England and Scotland combined. From thirteen millions to eighty millions is the record of the Republic from 1831 to 1901.

The unprecedented multiplication of America's population, however, is but an imperfect index of her growth. While the people have increased five-fold during the century, their productive power has multiplied about forty times. Measured in foot tons, the daily mechanical energy of the nation has advanced from 4,293 millions in 1820 to 160,000 millions in 1902. In other words we have, as a nation, nearly forty times as much power to work as had our predecessors eighty-two years ago;

and each unit of us, babies included, has 2,000 foot tons daily, as against 446 in 1820. When we remember that the day's work of a healthy dock labourer represents only 325 foot tons, we begin to realize what this tremendous potential of the American baby is. In England the ratio is 1470,—only what it was in the United States twenty years ago. So that man for man, industrially considered, the American is twenty years ahead of the Englishman. The difference is greater when other nations are brought to the test; for slow and conservative as England is in comparison with ourselves, she is still far ahead of her neighbours in Europe. In Germany the ratio is only 952; in France it is 930; in Spain 600; in Austria, so belligerent commercially, it is only 575; and finally Italy comes with 390! Thus one American, aided with the mechanical appliances he has developed, can do more work than an Englishman and an Italian combined; than two Frenchmen; or two Germans, or three Spaniards and Austrians, or than five Italians, all similarly equipped in their own country. As we have reached a point in social evolution when men and nations are being tested by their productive rather than their destructive power, the comparison must be considered a fair one. There used to be a time, not long ago, when one Englishman was equal to half a dozen Frenchmen, or one Frenchman equal to an indefinite number of

Englishmen, according to the respective nationality of the boaster; but that was a measure of prowess in arms, not of effectiveness in foot-tons.

If the total working power of the nations is compared, the difference in favour of America is even more striking. Against the 160,000 millions of the Republic, England has about 65,000 millions, Germany 52,000, and so on down the list to Italy with something like 13,000 millions.

At the present time the increase in America's working power is so rapid that the next ten years will see an addition to her already-supreme figures greater than the present total of England or of Germany. Every factory built, every acre brought under mechanical cultivation, every waterfall harnessed, every oil-well discovered, every new railroad, fresh invention or patented device, adds to the grand total of men's power to work economically and efficiently; and as these results of human activity are multiplying in America more rapidly than in Europe, where millions of workingmen are ever under training to kill other workingmen, the differences indicated above are to become more and more in America's favour. In 1920 there will be one hundred and ten millions of Americans with a working power greater than that of the whole of Europe, with its three hundred and fifty millions. It is neither difficult nor unsafe to

prophesy concerning geometric progression, such as this is.

To briefly indicate in one department of industry how this mechanical superiority works, it can be shown that, in agriculture, the product *per capita* of the hands employed in America is 350 bushels of grain, as against 119 in England, 98 in France, 75 in Germany, 64 in Austria and 39 in Italy. In the production of meat America leads with 1,230 pounds per farm hand, as against 1,090 in England, 350 in France, 230 in Germany, the same in Austria, and 130 in Italy. In manufactures, of course, the contrast is much more striking.

The greater efficiency of the American as a food-producer bears a direct relation to the continuance of his superiority; since good feeding produces good men,—men of fine intelligence as well as fine physique; men of resource and energy and big brains, as well as broad conceptions and high ideals. "God sifted a nation to find seed for this planting;" and the selective process continues. Taking as we do, the most enterprising and ambitious men and women of every race, giving them the opportunity of securing food in kinds and quantities undreamed of in their old homes, and educating their peasant offspring side by side with the descendants of God's first sifting, it is no wonder that the second generation of Slavonic serfs and runt-like Italians come to acquire some outward aspect and inward force of the sons of Puritans.

When the Pilgrim fathers landed, less than three hundred years ago, on the desolate shores of Massachusetts, their wealth consisted of such poor belongings as they had been able to stow into a vessel no bigger than a sloop yacht. When they had built their first house, their wealth was increased by the value of their labour on it. At this period, the nations of the old world had their cities, public buildings, roads and economic organizations, which had taken generations to build up and had cost in human effort more than can now be estimated. The American people are making such vast accumulations that a single decade now sees an addition to their wealth greater than the entire capital value of some of these old nations, who were so abundantly equipped when the founders of America had little beyond the clothes they wore. It is marvellous that the Republic should ever have doubled her population in twenty-five years; but she has quadrupled her wealth during the same period. Within the memory of persons living her wealth has multiplied sixteenfold. In thirty years, from 1850 to 1880, its increase was greater than the entire wealth of the German Empire, with its farms, old-time cities, banks, shipping, manufactures, Krupp guns and millions of conscripts. Her annual accumulation during this period was over 800 million dollars; so that each decade added more to her wealth than the capital value of Italy or Spain. This

is sufficiently startling, but it is nothing to what has been done since. America's present rate of accumulation reaches figures absolutely incomprehensible. Let us put it into thousands of millions, simply for comparison; for we cannot possibly grasp the meaning of such totals. In 1850 it was between 7 and 8. Twenty years later it was over 30. Ten years later it was over 42. In 1890 it was 65, and in 1900 it was 94. This simple statement is comprehensible provided we forget that each one of the units represents a thousand million dollars! To present the fact in another form, let us say that the present wealth of the United States, if divided, would give $1,235 to every individual, including babies, or about $5,000 to every family in the land. This is four times as much per head as in 1850, when it was only $307. The increase in general comfort and well-being which these figures imply is not capable of statistical expression; but it can be seen in the comfortable homes of the people, in the well-stocked markets where they buy their food, in the shops where they get their clothes, in the schools where their children are educated by methods undreamt of a generation ago. It can be seen in the superior stature of the people, indicating better sanitation and more generous feeding during childhood. It is visible in the general use of books, in the great intelligence of the people and in the general air of prosperity seen even among the

humblest workers. That these workers have a large share in the general prosperity of the country is shown, in one way, by the fact that nearly three per cent. of the total wealth of the country is in savings banks. The exact sum in 1900 was $2,624,873,634—an increase of nearly five hundred per cent. in thirty years. In England the increase of similar deposits during the same period was three hundred per cent.

The surprising growth of America's working power and wealth, familiar perhaps to the student of economics, are not generally known either at home or abroad. They have been obscured by the phenomenal progress of American manufactures, and the recent successful invasion by American manufacturers of the markets of the world. They are, however, the underlying causes of that amazing exhibition which has given a shock to the oldest and most cherished traditions of Europe and which has long been foreseen in America. In 1900 America's exports of domestic manufactures exceeded $433,000,000 in value. In 1886, when they amounted to less than one-third of this sum, I predicted, in a little book which had some circulation in England, the coming invasion, and asked: What will Europe give in exchange for American products "when the Republic not only becomes self-sufficing, but sends her cheap manufactures into the neutral markets of the world? Already her exports are 31 per cent.

in excess of imports. This problem will get more difficult of solution as it grows old. America, favoured by great natural resources, and untrammelled by military taxation or service, free from war debts and from the burden of royalty and large classes of non-producers, will soon undersell the products of Europe in every market. This is the way in which the Western Republic will join the European concert. . . . It may be visionary to speculate how the other musicians will receive such an advent. To me only one result seems possible: Europe will have to send her sons home from the barrack and camp, that in the forge and workshop they may take part in a struggle keener than that of Waterloo. The contest will be industrial. Shuttles, picks and hammers will be the weapons. The victory like that of military encounters, will mean survival to the fittest; but the fittest here is the one possessing the most efficient and economical industrial system."*

This would be the rational way of meeting American competition; but, with their infatuation for direct remedies, the nations of the old world are agitating for increased "protective" tariffs. In Germany the effort has been successful, and duties on American products are to be largely increased. The inevitable consequences will be poorer food for the workers, dearer raw material for manufacturers, and a

*"Uncle Sam at Home," pp. 239-240.

further handicapping of German industry in competition with America. In Austria a movement has been started for a European combination against America, which will prove abortive if attempted. In the old country the people are being roused by the cry: Wake up, England! and protectionist petitions are being presented in Parliament. It will be found, however, that the only way in which American competition can be even partially met—it is beyond the power of any old-world nation to do more—is to adopt more economical social as well as industrial methods, so as to assimilate them to those prevailing on this side.

And while they are talking, America is going "right ahead." A comparison of the growth of our export trade with that of other nations shows that the United States in the last fiscal year (July, 1901) has made by far the greatest advance of any nation. During the year the increase of exports from the United States has averaged $9,000,000 a month; that of the United Kingdom, $3,000,000; Russia, $3,000,000; France, $2,000,000; Canada, $2,000,000; Austria-Hungary, $1,000,000; Mexico, $1,000,000; Germany a loss of $2,000,000 a month; Spain a similar loss, and Belgium a loss of $1,000,000 a month. In other words the increase of the Republic's exports was more than twice as great as that of the whole of Europe.

While our sales to Europe have been increasing at a surprising rate, our purchases abroad have diminished to a degree fully justifying the foreign alarm. Our total imports of manufactures in 1900 amounted to less than we paid for foreign woollens and cottons in 1880. For the last two years the balance of trade has been in our favour to the unexampled total of $1,313,000,000, while every European nation, with the single exception of Austria, has had balance of trade against it. During the last four years our balance of trade in manufactures alone amounted to more than the total balance of all trade since the founding of the Republic.

This favourable trade balance is not limited to our commerce with Europe, however. It characterizes our dealings with nearly every part of the world. During the last decade we have reduced our imports from Europe from $474,000,000 to $439,000,000, while in the same time we have increased our exports from $682,000,000 to $1,111,000,000. From British North America imports fell from $151,000,000 in 1890 to $131,000,000 in 1900, while exports increased from $95,000,000 to $202,000,000. The imports from South America, principally of raw material, increased but a million dollars, while our exports increased six times as much. From Africa, imports increased from $3,000,000 in 1890 to $9,000,000 in 1900; while our exports leaped from $4,500,000 to $22,000,000

during this period. So it is all over the world. Generally our dependence on other countries has been conspicuously reduced during the decade, while the nations have largely increased their demands for our products.

This is a record of only ten years, despite the interruption of the war with Spain. "*Veni, vidi, vinci*" is surely the motto of the American manufacturer; for although the contest has only just begun, its final completeness is clearly indicated. The consular reports of our foreign trade show that we are actually sending cutlery to Sheffield, iron to Birmingham, shipplates to Glasgow, silks and shoes to Paris, beer to Germany, even maccaroni to Italy, and Spain is seriously asking herself if she may not expect to see American oranges offered in the markets of Valencia! In a contest of a few years we have gained such victories that we are warned in an official publication of the State Department of "the possible consequences to our European trade of a rivalry on our part which may be so crushing as to greatly impair the purchasing power of those who are now our best customers. If we permanently cripple their chief industries," says Chief Emory, of the Bureau of Foreign Statistics, in his report to Secretary Hay, "we deprive them, to a greater or less extent, of the means of buying from us, and the consumption of our food supplies and our raw materials, as well as of our finished goods, may be greatly curtailed."

And the warning is echoed by our consul to Berlin, Mr. Mason, who writes that Germany is, "after England, our best customer, and anything which checks the prosperity of her people will diminish to that extent their ability to maintain the reciprocal trade which is now so heavily in favour of the United States."

Such utterances are interesting as illustrations of the completeness of the American manufacturers' victory; but as warnings they are valueless. There is a law of commercial gravity, by which products of all kinds flow to the best markets; and the conditions which make the best markets are too complex to be affected by academic opinions and prophecies, however wise and farsighted they may be. The cheapness and excellence of American goods are the factors governing their acceptance in preference to others; and it is not probable that any of the European nations will be able to compete with America in economy of manufacture. We have the raw material of most of our exports in unlimited abundance. Our coal-beds and ore deposits are of vast extent, and their product can be increased indefinitely as the markets demand, and every increase is accompanied by economies. But in Europe this is not so. There conditions are reversed. Every known source of supply has been exploited to its fullest economical capacity, so that every increase of output must be accompanied by advance of

cost. In coal, this is notably the case, for owing to the great depth of many of the mines the output per worker is steadily diminishing with constantly increasing cost. In America, the tendency of prices has been downward for many years.

Notwithstanding the vast distances which our raw materials must travel to reach the factory or the furnace, our systems of transportation are so complete that the charge for freighting has but an insignificant part in the final cost of the finished product. We can bring a ton of ore from the head of Lake Superior to the blast furance at Pittsburg for less than the Londoner pays for carrying his coal from the wharves into his cellar. Our freight rates are only one-quarter as much as in England. In thirty years the average rate per ton-mile dropped from 1.94 cents to 0.73; yet our railways are prosperous and increasing their dividends, while those of England are annually falling behind. The increased expense of operating fifteen of the principal railways in England in 1900 as compared with the previous year was a million and a quarter sterling, while the net receipts decreased by an even greater sum. In the same year the net earnings of American railroads was seventy-three million dollars more than in any previous year, and over twenty-seven and a half million

dollars were paid in dividends more than ever before, while an even larger sum was carried forward.

To summarize the results of a single generation's activity, it may be stated that between 1870 and 1900, America doubled her population, but her railway tonnage increased more than twice as fast, while her interlake traffic multiplied thirty-one times. While the production of wheat and corn just keep pace with the increase of her people, the domestic cotton used up in her own mills was trebled, and the coal product increased six-fold. Of petroleum the output multiplied eleven times; of steel one hundred and fifty-three times. While her total exports increased 256 per cent., her exports of manufactures advanced 535 per cent. "Imports of all classes" decreased in ratio to population, but purchases abroad of some raw materials, like silk, were multiplied twenty-one times. The money in circulation increased twice as fast as the population. The wealth of the country was trebled, as was the total of deposits in national banks. While the production of gold and silver was doubled, that of pig-iron was multiplied thirteen times and of copper twenty-two times. Cotton was produced, manufactured and exported nearly twice as fast as the growth of the population; the expenditures on education increased in the same ratio; post office receipts moved half as fast again; telegrams increased seven-fold,

and the patents issued six-fold. In a long list of such facts the only ones exhibiting decreases were national indebtedness, cost of railway transportation, importations of foreign goods, and the vessels engaged in foreign trade.

In a minor degree the processes which have wrought such great changes in America are operative in Europe. With us the movement has been especially rapid because of the great natural resources of our continent, the superior intelligence of our workmen due to the influx of generations of the more enterprising and progressive of Europeans, the adaptability fostered by a new country, and the mechanical ingenuity encouraged by the vast task of building a nation in the wilderness. But as these processes have a common origin, they must, in the main, move along similar evolutionary lines. A brief survey of the course of social and industrial development from primitive times not only reveals the community of origin and growth of the economic institutions of civilized communities, but indicates, with more or less distinctness, the lines along which future progress will probably run.

The foundation of our social system was laid when, in primitive times, the struggle for existence was welding fighting units into families, and families into clans. Its growth was promoted when these in turn combined with other

clans to oust a neighbouring tribe from a specially desirable pasturage, or to maintain their own particular valley against invaders. The simple tribal organization thus resulting was that which obtained among the North American Indians when the white man first appeared on this continent. It was also that which Julius Cæsar found when he landed in Britain. The building of a nation out of such separate tribes was effected by the operation of the same great law—the struggle for existence. War was the unifying power from the outset. It has continued so to be down to our own time. It savours of the paradox to say that the blessings of civilization are due to war; but it is none the less a fact. Without social union there could be no civilization; without war there could have been no social union.

The evolution of industrial institutions displays the same general features. At first the individual was self-sufficing. Then as the complexity of life increased, his efforts were joined to those of neighbours: one made the arrows, another shot them. One woman gathered reeds and fibres; another wove them into baskets and nets. Later, a simple form of barter was set up with neighbouring clans or tribes. One had fish to trade for meat; and in the course of time some bead-like ornament was used as a measure of value, and lo! money had been invented. Or perhaps a bed of salt was found within the tribal pre-

cincts, and the community grew rich by exchanging it for the desirable commodities of other tribes. In this way a rudimentary industrial system was formed and fostered during the rare intervals of peace enjoyed by primitive communities. As the tribe grew more numerous or was affiliated by marriage and military alliances with neighbouring tribes, the process of industrial differentiation went on, until each community developed a specialty. The Navajos made a blanket of great beauty and value. The Pomos wove baskets that would hold water. The Flatheads and Snakes cured salmon so that it would bear transportation a thousand miles. Obsidian arrow-heads have been traced hundreds of miles from any natural deposit of this mineral; and wampum made from sea-shells has been found in the middle of the continent. While this tribal specialization was going on, a similar process was at work within the community itself; and families developed aptitudes which led to increasing varieties of products. Among peoples less given to war than the North American Indians, the differentiation of workers was more rapid; and the relation of master and apprentice, of employer and employed, was established. Wages thus originated; and soon the workshop developed into the factory. And so by slow and gradual growth, from the simple to the complex, from the indefinite to the definite, from the homogeneous to the hetero-

geneous—which are all terms of the law of evolution—the modern stage of industrialism common to all civilized communities has been reached.

Up to this point the economic growth of society has undeviatingly followed evolutionary lines. These, indeed, were the only lines open to it so long as it retained a progressive character, since growth, progress, and evolution are synonymous. At times, during the dark ages, there have been temporary hindrances and even set-backs to the movement, as when the industrial systems of the Moors were destroyed in Spain; but, broadly speaking, there has been no break in the continuity of that advance from the simple, indefinite and incoherent efforts of primitive men to supply their natural wants, to that complex, definite coherency which marks modern methods of meeting the same natural needs.

The nature of the growth of industrialism from its simple beginnings to its present complex stage, can thus be explained and defined in exact terms by the law of evolution. Can this law do more? Can it indicate with any approach to certainty the lines of further progression? Let us see.

There is a term in the complete definition of the law of evolution which has not been adverted to. As a factor in the growth of society it is not so conspicuous as some others, that of increasing definiteness, for example. It is

nevertheless clearly traceable in the past development of industrialism. It is becoming increasingly noticeable in the tendencies now visibly operative, especially in American economic developments. This final term is that of the "concomitant dissipation of motion." Translated into everyday phraseology, this means a diminishing waste of energy, a less frequent slipping of cogs, the avoidance of needless multiplication of activities. And here is where the centralization of capital, the decay of destructive competition, the protective combination of all the factors of production, are shown to have their place in the great chain which links us to the past. Here is where co-operation arises with its attendant economies, to complete and round off the great natural development which has taken us thousands of years to reach. The "concomitant dissipation of motion" stands conspicuously out of every one of the following essays, though it is doubtful if all the great men of action who wrote them fully recognized it as part of the great natural law underlying the social phenomena they describe. This, indeed, is the characteristic of natural laws: recognized or ignored, they never cease to be operative, nor can they be repealed by Congress or vetoed by President.

Here, then, we get an indication of the lines along which future economic development will take place. The movement towards co-opera-

tion, towards the elimination of unintelligent competition, towards the peaceful alliance of labour, capital and brains, towards the increasing centralization of industries, which is the most pronounced characteristic of American civil life,—this movement, being in harmony with the laws underlying all progress, is destined to extend until it covers the whole industrial world, or until it merges into some new and better phase of social evolution. Thus the old hated "Trust," the immediate forerunner of the present "Merger," receives the benediction of Nature herself, the sanction of the very laws of life. We are astride of a tendency which, originating in the barbaric past, is giving us the promise of a fuller and more complete national life than the world has ever seen. In the broad perspective of history, illuminated by the light of evolutionary law, we are able to see that this tendency is not the creation of self-seeking capitalists, aiming to corrupt our moral and political life, and undermining the very foundations of society by destroying competition and competitors. Neither is it a mere hobby-horse from which we can descend at the bidding of legislators. It is a wholesome, irresistible, natural progression from lower forms of industrial life to higher ones. It is a phase of economic evolution having its roots at the gates of Eden, controlled by laws as regular as those which mould the falling raindrop. When St. Paul

wrote, "Whatsoever is, is good," he thereby voiced not only the desirability of what we call progress, but the inevitableness of it. And this is what we need to emphasize: the inevitableness of it.

Reduced to its simplest expression, the struggle for existence, or, in other words, the law of competition, has been the natural force underlying industrial development. We are often told that this struggle for existence has only changed its outward shape: that in essence it must ever remain that which our forefathers knew when they fought with tooth and nail in defence of their cave home or the hard-won trophies of the chase. Is this true? Is the law of competition Nature's first and last word to her children? Is humanity destined for ever to struggle with itself? Is this Nature, "red in tooth and claw," incapable of modification and improvement? Is success never to be dissociated from battle and victory? Is it contrary to the nature of things that men cannot live except by conquest of others? We think not. The ingenuity of man and his dominion over the forces of nature are great enough, now-a-days, to ensure to every civilized being both subsistence and comfort. It only remains to so apportion the daily yield of our common mother-earth as to secure the easy existence of every unit of our nation; and the problem is by no means in-

capable of solution when we have transferred our energies from mutual competition to universal co-operation. As militancy first compelled national unity, so the warring factions of industrialism are being forced into protective alliances. This is the purport of the latest phase of social evolution. If under modern conditions fifty men can feed a thousand and another fifty can clothe them, the struggle for existence has ceased; there should now be enough peaceful leisure for all to develop the best that is in them. Nor need we await the coming of some Messiah to teach us how to divide the results of human activity so as to subserve the best interests of the nation. Nature herself is showing us, by leading us out of the strife of competition into the paths of peaceful co-operation. Under a rational industrialism, of which the yet imperfect attempts at centralization are the beginning, we are to pass from the cruel egoism of old systems to the kindly altruism of the new.

This is not mere sentimentality; it is the logical outcome of forces always at work within and around us. Just as there has come a time when, on this continent at least, war has given all of good that it has to give, so is there coming a time when competition—which is industrial war—will have conferred on the nation all its possible benefits. A perfected system of co-operation is the promise to civilized mankind of existing tendencies. The defects due to in-

complete evolution will soon cease to obscure the progressive and beneficial character of the movement. The evils which have discredited it and provoked hostility, the over capitalizations, stock jobbings and underhand business methods sometimes accompanying the change, are but accidental survivals of the lower industrial life, and are in no sense either permanent or inevitable features of the higher one towards which we are rapidly moving. It is to these intruding remnants of a passing condition that legislative restraint should be directed, and strictly limited.

To the nations of the old world the special portent of the new industrialism is not less significant. To the student there is a deeper meaning than appears on the surface in the disquieting apparition of American manufactures in Europe. The commercial invasion, just begun, is destined to bring about a complete revolution of existing economic and social theories and practices. This revolution will be more comprehensive than anything that has preceded it in time. It involves a complete revision of social ideals. It means the final abandonment of the military regime in favour of an industrial system in which personal liberty will receive a new and wider meaning. It means the substitution of federalism for feudalism; the relegation of inherited privilege to the "scrap-heap," with other

worn-out machinery of the past. Every labour-saving device which gives the American manufacturer an advantage over his adversaries—for the contest is keen enough to justify the use of militant terms—has a political meaning, hidden maybe to the man who operates it, but nevertheless plainly visible to the intelligent onlooker. The hum of machinery in New England and the clatter of Pennsylvania workshops are becoming more eloquent of peace than the rescript of the Czar of all the Russias. We are forcing mankind to recognize that even such a prosaic thing as a potato-peeling machine, may carry a text into homes closed to printed books. The whirr of an American reaping machine, heard by peasants in the fields of Central Russia, may teach a lesson where Rousseau and Victor Hugo would never be heard, nor understood if heard. This is the only true and worthy triumph of our industrial supremacy. In itself, there is nothing ennobling in the underselling of competitors. The successful warrior, waving aloft the gory scalp-lock of his enemy, enjoyed the same sense of triumph. But if the contest suggests a new thought concerning the rights of man, the world is the better for it. If by commercial stress the peoples of the old world are forced home from the barrack and camp into the forge and workshop, then the industrial supremacy of America unconsciously takes on an aspect of beneficence. If by in-

vading the world's markets, we can bring about the abolition of militancy, our mechanical superiority receives a new and nobler meaning. That the social as well as the economic systems of the world are being profoundly affected by American industrialism brought into the homes of the people of every land, is obvious to all who keep in touch with this latest expression of Americanism. "Liberty enlightening the world," is more than a gigantic toy. It is the true symbol of our mission to mankind; and every ship that passes through its great shadow, freighted with our products, is a white-winged messenger of peace to the armed camps of Europe. Let our national exultation be over this, rather than over the defeat of rivals.

THE TRUST: ITS BOOK

CHAPTER I

COMBINATIONS AND CRITICS

CHARLES R. FLINT

THE time has come when indiscriminate criticism of industrial combinations should be condemned. They have been compared to "corners" in food products, or in stocks or other investment securities, and yet they are the direct opposite of such "corners." "Corners" produce nothing. The end they bring about is absorption and stagnation. They have, without justification, been compared to monopolies with all their attendant evils. It should be borne in mind that the "habit of supposing extreme cases, and then of reasoning from them, is the constant refuge of those who are obliged to defend a cause which, upon its merits, is indefensible." In the main only such arguments have been used by the opponents of these combinations.

While conceding that some of the alleged disadvantages may exist, it can be shown that, for the most part, they are imaginary or theoretical, while the advantages are real and substantial, and of sufficient importance wholly

to overshadow the disadvantages, and to justify us, as employers of labour, as men with money invested in manufacture, and as citizens of the Republic, in advocating these combinations by voice and act until there shall be established concerning them a healthy public opinion, instead of the spurious article which some men and newspapers would put into circulation.

The truth is that such combinations are the evolution of our manufacturing industries, and the advantages arising from them are similar to those which resulted from the original introduction of manufacture into this country. They represent the highest development of manufacturing, as do extended railway systems of transportation on land, the ocean greyhound of transportation on the sea, the national banking system of exchange, the telegraph and telephone systems of communication.

Every American citizen is interested in the discussion and right solution of these questions, for, as Daniel Webster has said, "The manufacturing interest is a general, and not a local interest;" and in considering the causes which might operate to limit the growth and expansion of manufacture, he used these words:

"Who, standing here, looking around on this community and its interests, would be bold enough to touch the spring which moves so much industry and produces so much happiness? Who would shut up the mouths of these vast coal pits? Who would stay the cargoes of

manufactured goods now floating down a river, one of the noblest in the world, stretching through territories almost boundless in extent and unequalled in fertility? Who would quench the fires of so many steam engines and check the operation of so much well-employed labour?"

Compare that view,—broad, statesmanlike, comprehensive,—with the expression of the French philosopher:

"The machines designed to abridge art are not always useful. When a piece of workmanship is of a moderate price, equally agreeable to the maker and buyer, those machines which would render the manufacture more simple, or, in other words, diminish the number of workmen, would be pernicious. And if water-mills were not everywhere established, I should not have believed them so useful as is pretended, because they have deprived an infinite multitude of their employment, a vast number of persons from the use of water, and a great part of the land of its fertility."

These two views are to-day variously dressed and presented; but, when stripped of verbiage, the arguments for and against manufacturing extension, resolve themselves substantially into the opinions quoted. No one can doubt which represents true enlightenment and the best interest of the American Commonwealth.

In every age there have been those who have set their faces against innovation. No marked progress has been made in science, and no new movement of reform has successfully established itself in public favour, until opposition has been overcome.

Macaulay, in his reference to the introduction of the stage coach in England, says:

"This mode of travelling, which by Englishmen of the present day would be regarded as insufferably slow, seemed to our ancestors wonderfully and alarmingly rapid. In a work published a few months before the death of Charles II., the English coaches are extolled as very superior to any similar vehicles ever known to the world. Their facility is the subject of special discussion and is favourably contrasted with the sluggish pace of the Continental Post. But with boasts like these was mingled the sound of complaint and invective. The interests of a large class had been unfavourably affected by the establishment of the new diligence, and, as usual, many persons from mere stupidity and obstinacy were disposed to clamour against the innovation simply because it was an innovation. It was vehemently argued that this mode of conveyance would be fatal to the breeding of horses and to the noble art of horsemanship; that the Thames, which had long been an important nursery of seamen, would cease to be the chief thoroughfare from London up to Windsor and down to Gravesend; that saddlers and spurriers would be ruined by hundreds; that numerous inns at which mounted travellers had been in the habit of stopping, would be deserted and would no longer pay any rent; that the new carriages were too hot in summer and too cold in winter; that the passengers were grievously annoyed by invalids and crying children; that the coach sometimes reached the inn so late that it was impossible to get supper, and sometimes started so early that it was impossible to get breakfast. On these grounds it was gravely recommended that no public coach should be permitted to have more than four horses, to start oftener than once a week, or to go more than thirty miles a day. It was hoped that if this regulation were adopted, all except the sick and lame, would return to the old mode of travelling. Petitions embodying such

opinions as these were presented to the King and Counsel from several companies of the City of London, from several provincial towns and from the justices of several counties. *We smile at these things. It is not impossible that our descendants when they read the history of the opposition offered by cupidity and prejudice to the improvements of the Nineteenth Century, may smile in their turn.*"

No passage from history could better illustrate the character of the present outcry of some newspapers and of some men, against the consolidation of manufacturing intelligence and capital. These industrial combinations have arisen naturally enough if you seek for their origin. A man who, by intelligence and constant application, has built up a successful manufacturing business, has frequently an income-producing property which can not be transmitted to his heirs. *He has only a life interest* in the business, and often such a property, successful during the lifetime of its founder, has disintegrated on his death, or even when old age and infirmity have overtaken him. Now an opportunity is afforded to the founder to consolidate his establishment with similar institutions, so that it will be a part of a great combination, in which no one man is an essential factor. He is able to dispose in whole or in part of his distributive share in this organization, through the market such large corporations create for their securities, which yielding on the average a larger return than bonds or railroad stocks, are therefore more attractive to investors. Or if he has retained

the securities he has received, his estate under such circumstances is easily distributed. Instead of there being a partition of an isolated property of uncertain value or duration, the interests to be divided represent a part of a great whole.

The absorption of one manufacturing industry by another, or a combination or consolidation of the two, means not alone the aggregation of mere wealth—that is not so important; it means the aggregation of intellect, reduction of expenses, the production of a better article, larger distribution, and larger profits to the new organization without increased cost to the consumer. It means a larger field for usefulness, for capital and labour.

The labouring masses have often opposed the introduction of labour-saving appliances; but time has shown that such inventions have benefited the poor more than the rich. The agricultural and other machinery in this country is equivalent to the combined effort of a population of over 400,000,000; its benefits are distributed among the 80,000,000 of our population, and the people of the United States are enjoying greater luxuries than did the nobility in ages past. Each consumer has the equivalent of five persons labouring for his support.

While large fortunes have been made by industrial developments, by the extension of

transportation by railroad and by ocean steamships, these large fortunes, often malevolently and unwisely criticised, are insignificant when compared with the accompanying benefits which have been distributed to the general public. The development of these enterprises has enabled the farmer to harvest and transport his products at better prices than before, and has brought him in touch with the markets of the world. The manufacturing industry has strengthened the resources of nations. Through it the North was made richer than the South, and triumphed in the end. It has enabled Germany to-day to be the dictator of the peace of Europe. It has made England the mistress of the seas. If the wise words of one of our great statesmen had been heeded, the development of manufacturing interests in the South would have removed, to a great extent, the dangers of sectional differences which threatened our Union and gave rise to the war of the Rebellion.

In the material progress of this generation, the greatest in the history of the world, the evolution of manufacture stands forth conspicuous and pre-eminent. There are many among us who can remember the tallow dip, the spinning wheel, the hand loom, the clothes of homespun. The tallow dip was replaced by sperm oil; whalers flourished, and New Bedford became a city of great wealth. Then capital and intelligence centred in the industry of

producing, transporting and refining petroleum; and artificial light was put at a price which made the homes of the poor as bright as those of the rich. Later, gas was introduced. Now the electric light has turned night into day in the streets of all the important towns in this country; and our police records show a direct and most important result, if not on morals, at least on the better protection of life and property. Where the spinning wheel was running on a single yarn not many years ago, one hand is to-day making by machinery a thousand yarns, and cotton cloth has been sold for less than three cents per yard. The farmer who was then capable of tilling a few acres, to-day, as the intelligent director of a machine, harvests the produce of a thousand acres. These are but a few illustrations where, if time permitted, hundreds might be cited.

If natural conditions be undisturbed, industrial progress will continue. Put legal restraint upon it, and sooner than any of us realize, the wheels which have been driving all this vast machinery will come to rest. Few people appreciate how much of a problem successful manufacture is. In no other business are such sleepless watchfulness and tireless attention required. If the manager is able to make ends meet, it is well—there is at the present day often a deficit—while a profit is evidence of the highest manufacturing aptitude. If we tax manufacturing interests indiscreetly,

or otherwise deal unwisely with them, they will not recover from the injury until the restraint is removed and natural conditions again prevail. The State deems it unwise to limit the accumulation of capital, the ownership of lands or personal property; so should public sentiment and public law leave untrammelled the development of the manufacturing industry.

The consolidation of manufacturing interests ensures cheaper production through the division of labour and the bringing of them under one control means continuous production. There is nothing so harmful both to capital and labour, as spasmodic manufacture. If a factory run one week, and if it be uncertain whether or not it will run the next week; if it run one day and shut down the next, the interference with economy and the harmful influence upon the workman and capitalist are readily appreciated by those conversant with such demoralization.

Our system of protection, not extravagant for a nascent industry, but frequently too great for a developed one, has, notwithstanding its wonderful benefits, been in some industries productive of excessive investment and excessive manufacture. The result is that competition, instead of being the *life of trade*, has in many instances been the *death of trade*. While there are manufacturers, especially those catering to the wants of the rich, who hold to a

high standard of quality, severe competition as a general rule forces manufacturers, no matter what their inclination may be, to adopt the policy of deceit as a matter of self-preservation. Goods are not made with a single eye to their intrinsic merit for wear, but for sale. Competition has forced business far beyond the conservative limits of the capital invested, endangering not only the interests of stockholders and of investors, but of creditors, and of whole districts dependent upon the success of a manufacturing industry. By combination an opportunity is offered to correct these abuses, and to advance manufacture to a perfection it has never reached. To say that it shall not be availed of, is to declare that this development shall come to an end; and when development ceases, decay and disintegration will have set in. There is no middle course. I should prefer to see every article that is manufactured in Great Britain, France and Italy, brought into this country free of duty, than that we should assume to dictate what agencies manufacturing industries shall employ in their development, so long as they keep within the letter and spirit of that higher law which says—due regard being had to the conditions of life—that you shall so use your own as not to injure another. We cannot without the possibility of universal disaster, or the certainty of wide injurious result, touch the spring which is moving so much industry.

The advantages of these combinations are precisely the advantages which came from the original introduction of manufacture into this country. No one has classified them so completely as Alexander Hamilton.

1. The division of labour.
2. An extension of the use of machinery.
3. Additional employment to classes of the community not ordinarily in the business.
4. The promotion of emigration from foreign countries.
5. The furnishing of greater scope for the diversity of talents and disposition which discriminates such from each other.
6. The affording a more ample and various field for enterprise.
7. The creating in some instances a new, and securing in all a more certain and steady demand for the surplus product of the soil.

All these advantages are equally characteristic of these combinations.

And now what are the alleged disadvantages of these combinations? Among other things it is claimed that they result in monopolies.

This objection is wholly imaginary. We have, under our laws, no monopoly, as the word is properly to be understood. We have *quasi* monopolies; that is, monopolies not by the terms of the grant, but by reason of the thing granted. Every grant to a railroad company, particularly to a horse-car railroad company, to a turnpike company, to a gas company, to a telegraph or telephone company,

is, in a sense, a monopoly. Monopolies to manufacture and trade have survived, to an extent, in the grant made by the Government under patents. These are really monopolies for a limited period, though they are justified by the advantage to the public resulting from the disclosure of a secret, after the exclusive enjoyment by the patentee. A premium is put upon invention for the common good, the full benefit of which is only postponed. In no sense, real or apparent, are these combinations monopolies.

But the claim is made that they have all the inherent objections of monopolies; that they bring about all their evils, which, a legal friend has pointed out to me, were set forth in an early English legislation to be: "(1) The raising of prices; (2) the commodity will not be so good; (3) the impoverishing of the poor artificers."

I deny that such results flow from these combinations. Precisely similar objections were made to the introduction, as are now directed against the extension, of manufacturing industry. Hamilton has answered the original as I would have the present objections answered, by an appeal to experience.

Said he:

"There remains to be noticed an objection to the encouragement of manufactures, of a nature different from those which question the probability of success. This is derived from its supposed tendency to give a monopoly

of advantages to particular classes, at the expense of the rest of the community, who, it is affirmed, would be able to procure the requisite supplies of manufactured articles on better terms from foreigners than from our own citizens; and who, it is alleged, are reduced to the necessity of paying an enhanced price for whatever they want, by every measure which obstructs the free competition of foreign commodities.

"It is not an unreasonable supposition, that measures which serve to abridge the free competition of foreign articles have a tendency to occasion an enhancement of prices; and it is not to be denied that such is the effect, in a number of cases; but the fact does not uniformly correspond with the theory. A reduction of prices has, in several instances, immediately succeeded the establishment of a domestic manufacture. Whether it be that foreign manufacturers endeavour to supplant, by underselling, our own, or whatever else be the cause, the effect has been such as is stated, *and the reverse of what might have been expected.*

"But, though it were true that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics, was an increase of price, *it is universally true that the contrary is the effect with every successful manufacture.*"

I deny that these combinations find it to their interest to charge higher prices for their products. Let me give an illustration drawn from my own experience.

The control of a company in which I am still interested, which manufactures an article in general use, was purchased by persons interested in the Standard Oil Company, and three of its Executive Committee entered the Board of Directors. I was much interested to see what policy they would pursue in the conduct

of the business. We had been depending on the protection of trade-marks and patents, and had been selling our goods at a correspondingly high figure. To the surprise of some of my former associates, the policy of the committee was to reduce the price thirty per cent. The profits dropped from eighty per cent. on the original cash investment, to less than ten per cent. But owing to the improvement of the article and its cheapness, the consumption was doubled. The manufacturing facilities were correspondingly enlarged and improved; and although little or no money was made at first, at the end of two years the business so increased that the profits were not only larger than before, but the business was put upon a basis to insure its continued and permanent success. Its good-will lay thereafter, not in the monopoly which patents and trade-marks had insured to it under the law, but in the monopoly which comes through the sale of the best article at the smallest possible cost. *The consumers and the shareholders were in the end equally benefited.* Let me give another illustration.

The Legislature of the State of New York passed a bill reducing the fares of the Manhattan Railway Company from ten cents to five cents. Governor Cleveland vetoed the bill. I wish to call your attention to his message, and to the subsequent course of the Railway Company, for they illustrate how invested

capital should be treated, and the intelligent appreciation by a corporation of its best interests. Said Mr. Cleveland:—

"It is manifestly important that invested capital should be protected, and that its necessity and usefulness in the development of enterprises valuable to the people should be recognized by conservative conduct on the part of the State government.

"But we have specially in our keeping the honour and good faith of a great State, and we should see to it that no suspicion attaches, through any act of ours, to the fair fame of the Commonwealth. The State should not only be strictly just, but scrupulously fair, and in its relations to the citizen every legal and moral obligation should be recognized. This can only be done by legislating without vindictiveness or prejudice, and with a firm determination to deal justly and fairly with those from whom we exact obedience.

"I am not unmindful of the fact that this bill originated in response to the demand of a large portion of the people of New York for cheaper rates of fare between their places of employment and their homes, and I realize fully the desirability of securing to them all the privileges possible; but the experience of other States teaches that we must keep within the limits of law and good faith, lest in the end we bring upon the very people whom we seek to benefit and protect, a hardship which must surely follow when these limits are ignored."

Now mark the result. The Manhattan Railway Company occupied, in the City of New York, the only streets available for rapid transit. It feared no competitor. It was not menaced by legislation. And although it continued to charge, for a short time, ten cent fares, it afterwards voluntarily reduced its fares to five cents;

not on account of coercion, nor because it feared a rival; for coercion had been unsuccessful, and rivalry there could be none; but voluntarily, because it knew that this was the best way to serve not only the community, but its own interests. And notwithstanding the reduction, the income of the Manhattan Railway Company was larger than ever before. What is true of this company can be said of many other corporate institutions.

Has any one been injured by the consolidation of gas and electric light companies? There is scarcely a large city in the Union to-day which has not a large consolidated street railway or gas company. Do you have occasion, more than formerly, to complain of their rates or operation? Has the telegraph service been any less efficient since the Western Union Telegraph Company absorbed its rivals?

It is theorizing, which experience shows to be incorrect, to say that these large corporations find it to their interest to raise prices, any more than that they fall short of that high character of service which ensures public support. Prices may be fixed somewhat higher than the "war" prices prevailing during ruinous cut-throat competition, but the average price is lowered.

If a combination in the possession of a large portion of a field does raise prices, the result inevitably follows that it invites against itself that destructive competition which originally made the combination necessary. It may be

that some combinations will act thus unwisely; but generally they are in the hands of people above such folly; and, if not above it, the management must be changed and another policy adopted, or disaster is sure. If, however, as is unlikely, these combinations deliberately use their power to enhance prices, and from ill-will and malevolence injure rivals and crush competition, then the tariff should be reduced and the conditions for such abuse be abated.

Again, it is said, that such combinations, like real monopolies, cheapen the quality of the product. Again I appeal from theoretic deduction to actual experience. Such combinations have or fear competition; or, if this be not so, they know full well that they are the objects of close scrutiny and that just as the enhancement of price invites competition, or the finding by the public of some substitute, or the decrease of the protection afforded by our laws, so also the lowering of the quality means, in the end, less consumption. And in these days manufacturing success depends upon the largest production with the smallest amount of return consistent with investment. Large quick sales and small profits is the watchword of these combinations. If you can look for nothing else from superior intelligence, you can at least depend upon its enlightened selfishness.

A consolidated gas company finding itself

in the temporary possession of a territory—for it will be temporary only if it fall short of its duty—proceeds to do all in its power to make that occupation permanent. The consolidation has brought about reduction of expenses; the manufacture is carried on at the best-located point—it is centralized. Knowing that during good conduct it will have a reasonably secure future, the company remodels its works and invites consumption, not only by a cheaper but by a better product; it makes the public indirectly a partner in the new order of things.

The New York Central Railway represents the original organizations of a dozen railroads. They have been absorbed, or they have united. Is the service less good, is the fare higher than before? Does it not, like all common carriers, invite travel by commutation at rates less than those it is authorized to charge by law? Does it not do whatever lies in its power to build up and make prosperous the locality through which it runs? Yes, and it does this not because it fears competition, but because only in this way will its prosperity be permanent.

Take a railroad which has no rivals. In the end there is no distinction between it and one of two competing systems as to rates of fare, or character of service and equipment. The managers need no such stimulus as competition. The operations of common-carriers almost invariably show this. Ferry companies, in re-

placing old equipment, secure it of a higher class than that discarded, though they are enjoying a *quasi* monopoly. Your oil is better refined to-day than ever, and is cheaper. What I have said is true of all industrial enterprises in combination. I need not repeat instances. But the reverse is nearly always true of isolated competing concerns. The public does not seem to realize that the effort of these combinations is not so much to *divert an existing demand* as it is to *create a new one*.

On the other hand a horde of small concerns are struggling for existence. Our tariff legislation has *manufactured* industrial enterprises, so rapidly have they risen. Until fierce competition began there were large profits. Then as profits became less, the inexperienced mushroom-concerns, not being able to compete fairly and honestly with the more capable, have met this higher intelligence by deception. Goods have deteriorated. They are made, as I have said before, to sell. There has been no attempt to create new avenues of output by a better article, made at lower cost with better machinery. A shoddy, flash article is offered to the public; intelligence, yes, business honour has yielded in the struggle. To-day the plant of many of these concerns is antiquated; and with the existing appliances deceptive goods are made with difficulty at a price at which with approved machinery, the best can be produced. You might as well expect a man to

stop in battle to make himself a little more presentable to the spectator, as to hope for an improvement in quality of product under such circumstances.

The beneficial results of extreme rivalry or competition are very much exaggerated even by highly intelligent people. Let me give an illustration quite outside of industrial enterprises.

We have in this country hundreds of institutions of learning. England has two or three consolidated ones, if I may so speak. Do we in this country offer a better opportunity for education and culture than England? Do we offer as good? In the City of New York there are several colleges and schools of medicine, and of law. Do you suppose that the graduates are better equipped as physicians, or better educated lawyers, because there is more than one of these professional schools? I am told not, and my observation leads me to agree with what I am told. It is what I should suppose the competition for precedence, or what the public so often confound with precedence, namely, popularity, leads to—unconsciously perhaps, but it leads there nevertheless—the relaxation by faculties and councils of the rigour of intellectual training. In the determination not to be the last in the race as to number of graduates, each of these institutions to-day distributes diplomas to students who, in one

great institution, might fail through lack of merit and acquirements. What is true of the professional law schools is true of the schools of academic instruction. Do you suppose the scholarship of England would be higher to-day if she maintained fifty institutions of learning? We do not need argument to convince us that this would not be so. We have experience to guide us. Let me draw one more illustration from experience.

In the city of London there were a large number of competing gas companies, when, about 1860, Parliament passed a law granting to a few companies what was really a limited monopoly. I quote from an English work which discusses the benefits of this legislation:

"It was long and most strenuously contended that the only means by which cheapness and efficiency could be secured was by competition between companies established under parliamentary sanctions, and that the rivalry created, by having more than one company to supply the same area, would ensure the desired ends. This competition has almost entirely ceased to exist. It necessitated the creation of two or more capitals and the maintenance of separate staffs of directors and other paid officials and servants, besides duplicating the constantly recurring disturbance of the public thoroughfares, owing to works necessary for the laying and maintenance of pipes and other machinery in connection with the supply. Instead of economy, therefore, it inevitably happened that neither the companies nor the consumers were benefited; and both gas and water were supplied under the most disadvantageous conditions. The company which could carry on the struggle the longest eventually bought up its competitor or competitors, and thus placed itself in

the most favourable position to benefit others, at the same time securing its own prosperity. Experience in the conduct of these companies has amply demonstrated the fact, that in order to ensure prosperity there should be no diversity of interest between those serving and served. Previously to the year 1860 there existed in London no less than thirteen gas companies, all with large capitals, separate and expensive staffs of officers and servants, and with pipes interlacing each other in every public thoroughfare. The price of gas was high and the companies in all cases realized but small returns in the way of dividends on their respective capitals. In that year a bill introduced to coerce these companies was abandoned by its promoters, and subsequently adopted and carried through by the gas companies. By the Act of 1860 the metropolis was so parcelled out that the London companies were enabled by agreement between themselves to assign a district for the supply of gas to each individual company. From that moment commenced the era of cheap gas supply and the prosperity of gas companies within the metropolis. The principle of a 'regulated monopoly' then and there inaugurated has been so largely extended that at the present time the whole of the north side of the metropolis is supplied by one company, the largest in the world; and the south side by two companies, almost as important and equally prosperous. The experience of the London gas companies has thoroughly demonstrated the fact long insisted on, and long and vigorously disputed, that the interests of gas suppliers and gas consumers are identical. When competition prevailed between the thirteen companies, the price of gas to consumers was dear and the dividends to shareholders small. With a practical monopoly, dividends now exceed the original limit of ten per cent., and the price which was fixed by the Act of 1860, at four shillings and sixpence per thousand feet, and which was then charged to the consumer, is now but little more than one-half that sum."

London to-day has the cheapest gas in the world, and London gas companies earn a higher rate of dividends than any other gas companies in the world. One cannot have a more forcible illustration of what experience has to say as to certain kinds of competition.

On the perfecting of the combinations I am speaking of, fresh money is put into the consolidated treasury, the machinery and plant are revolutionized by being modernized, amplified and systematized, and expenses are reduced. Is this done to enhance prices?—to lower quality? No! It is to improve quality and lessen cost; to *create* demand, not any longer to exhaust energy in seeking to *divert* it; and all this that the public and the manufacturer, the consumer and producer, may have a common interest in the well-being of the new order of things.

Another disadvantage which is said to flow from these combinations, is that the com-competing manufacturer who has not become a part of them, will be injured in his business. I am free to confess that this is not an apparent but in some respects a real disadvantage; but it is a disadvantage which results from an inexorable law of our life. Every new industry displaces or temporarily injures another. When Stevenson, the inventor, was advocating the application of the steam engine to railroads, he was gravely asked whether it would not be a bad thing if a cow should get on the track,

and Stevenson's reply was "Yes, mighty bad for the coo." But, though the effect of these combinations may be temporarily injurious to other interests not united with them, this natural defect must not be confounded with *the intention of bringing about such a result.* If there is an intention in the formation of such combinations, of ruining the trade of others through personal malice or ill-will, then the combination is not a combination for trade or manufacture at all, but a combination for conspiracy, and should be dealt with by public sentiment and by law as all conspiracies are dealt with. A remedy is soon found for such flagrant abuses.

The original legislation against combinations, however, was not directed against combinations of capital, but against combinations of labour. They were the more serious menace to public security and prosperity; and it was not until early in this century that the rigour of those laws was relaxed. To-day trades unions are not frowned upon. If organized for due protection of the interests of their members they are to be applauded. If organized for the purpose of destroying other labour organizations, or excluding non-members from participation in labour, then they become combinations for conspiracy and should be suppressed.

That manufacturing combinations, even when organized for a proper purpose, fre-

quently result in injury to others cannot be denied. But for that reason they are not to be visited with condemnation. Said Lord Coleridge, in a celebrated case:

"It must be remembered trade is and must be in a sense selfish; trade not being infinite, nor the trade of a particular place or district being possibly very limited, what one man gains another man loses. In the hand-to-hand war of commerce as in the conflicts of public life, whether at the bar, in parliament, in medicine, in engineering (I give examples only) men fight on without thought of others, except to excel or defeat them. Very lofty minds, like Sir Philip Sydney with his cup of water, will not stoop to take an advantage if he think another wants it more. Our age in spite of high authority to the contrary, is not without its Sir Philip Sydneys. But these are the counsels of perfection which it would be silly indeed to make the measure of the rough business of the world as pursued by ordinary men of business."

It is the survival of the fittest always, in the animal kingdom, in business and in the professions. The struggle for pre-eminence is a constant and, at times, a remorseless one. To it is summoned the highest intelligence as well as wealth—and in such a struggle, intelligence counts for more than wealth.

The war of competition has been going on even in the agricultural industry. The successful farmer of to-day is the tiller of a thousand acres; and aided by cheap transportation, supplies the world with low priced cereals. The small farmers of New England and of Europe cannot compete with him. New England farms have consequently been deserted;

and there has been a serious decline in the rents of landed estates in Europe. The larger and more intelligent producer, whether in agriculture or in manufacture, has the advantage, and in the end will succeed. When to a horse-car railroad is applied electricity as a motor, some suffer. The saddlers, the harness makers, the hostlers, the stable attendants, may find themselves temporarily without occupation. For that reason do we say that electricity shall not displace horse-car railroads? No; because the public is to be considered, and the public has a larger interest in this question than have the few labourers whose occupation for the time being is gone. The greatest good for the greatest number is the true philosophy of life.

The alleged disadvantages of such combinations, in the matter of the injury to other interests, are largely theoretical and imaginary. The instances are very rare, where one of these combinations has acted intentionally to the injury of another, and seldom has such injury been the natural result of their formation.

As I have said, however, the manufacturing business has become a very difficult business to succeed in. It is untiring attention and high intelligence that ensures success. If you prohibit combinations you are not protecting the weak and unskilled; you are rather putting a premium upon their destruction. For their interests are considered in such

combinations as they are invited to enter upon reasonable terms. But they must, if such combinations be prohibited, sink—first, into insignificance, and finally, into ruin, against the high intelligent competition which the law can never restrain. In such event this intelligence will control the industry, not through amalgamation or consolidation, but through the destruction of its competitors. I know of instances of this before such combinations became popular or frequent. No human law can ever be devised to prohibit the monopoly of superior intelligence.

There are one or two remaining objections perhaps worthy of notice.

It is said that the independence of the individual manufacturer and of the workman is destroyed by becoming part of such organizations. This objection should not be passed over lightly, because, if true, it is most serious.

The advantages which come from such combinations are, in large part, financial advantages to the producer and to the consumer; but if I believed that these large aggregations of intelligence and wealth involved the degradation of labour, or were in any way inimical to labour, I should not be advocating them, nor should I consent to be financially interested in them; for such undertakings, however well conceived or successful at the outset, end in disappointment. Every sensible man

has the elevation of the general public always in his mind. He knows that accompanying this elevation is higher intelligence and better workmanship, which results in more profit to the capitalist whose interests are in the manufacturing business, and in less outlay by the consumer. There also come with it purer morals, better laws, and greater security for money, whether it be in the manufacturing business or out of it.

Instead of spasmodic growth and periodic depression, such combinations ensure continued and fixed returns, so that the labourer will earn not only his livelihood but will be able to accumulate something against old age and for the benefit of his posterity; while the capitalist will, as is his due, receive an income upon his investment which will induce him to continue to be an employer of labour. Otherwise his investment will be in securities unconnected with the direction of labour or its interests. He will not fret himself concerning the annoyances of manufacturing business. He will become but a clipper of coupons.

The workman connected with these enterprises, though he devotes himself to what may superficially seem an insignificant part of a great establishment, is no less independent than was the farmer who formerly was at once spinner and weaver, shoemaker and blacksmith. He is not less able to deal with

questions which confront him in life. He is not a slave of these corporations. His income is more certain than if he were connected with an isolated manufacturing establishment of uncertain duration and success. He needs no protection against right-minded aggregations of intelligence and wealth, for they consider it their first interests to protect employees. The trades unions, too, protect him against wrong-minded combinations. He may be part of a great machine; but the machine is full of good and practical purposes, and he and his fellows have their hand upon the machinery that is driving all this vast enterprise. As they may create, so they may arrest progress; and there is more danger to-day—and every frank man is willing to admit it—from an unwise combination on the part of labour than from the aggregation of wealth and intelligence represented in these large corporations..

The division of labour in manufacture, as conducted in these combinations, makes perfect work possible. The farmer, when he was at work at several trades and industries, was not as good a workman as the blacksmith of to-day, as the spinner of to-day, as the weaver of to-day, or as the shoemaker of to-day. Nor is the general workman in any of these industries so perfect in details as the man who is now attending to one department of manufacture. It is a day when men are

specialists, not only in trades, but in professions; and there is nothing ignoble in all this. The bar has lost none of its best traditions because some of its members are specialists. No man to-day stands at the head of the legal profession as an advocate, and as an adviser of corporations. There are patent lawyers, conveyancers, admiralty lawyers. No one is prominent in the medical profession as a practitioner of medicine and as a surgeon. Not only have medicine and surgery been separated, but again in turn they have been sub-divided; and if one disease is to be treated, one physician is sent for; if one operation is to be performed, one surgeon is sent for; if another, another surgeon is preferred. It is so in the world of business, and it is so in the manufacturing industry. "*Non multa sed multum*" is the motto of every successful man.

There is for every right-minded man something ennobling and elevating in the recognition that he is doing a thing completely, effectively, understandingly. He has, too, an incentive to be master of its details, and to strive ever towards perfect workmanship; because he knows that these combinations are prompt to recognize merit, whether it be administrative or inventive. He is a part of a harmonious whole; and realizing his true relation to all this moving, restless energy, he may feel within himself the stimulus for greater

effort, nobler aims, and the possibility of higher achievement.

"Round swings the hammer of Industry,
quickly the sharp chisel rings,
And the heart of the toiler has throbbings
that stir not the bosom of kings."

Again, it has been said that there is danger to be apprehended from these large capitals. I am not prepared to say that this thought is to be wholly disregarded. Under aggregations of large capitals, whether of individuals or of corporations, there lurks a danger; and thoughtful men must be watchful of it. But I do not concede that they have yet become menacing, nor that the time will come when they should be limited. The way were easy, if we wished to accomplish this. Individual fortunes could be taxed out of existence. You might limit the right of corporate holdings, forbid their expansion, or restrict their original organization. But we know perfectly well that the aggregation of capital has brought with it more benefit to the poor than to the rich; and we know, too, that the capital of these corporations does not compare with the wealth of individuals. This is the same old attack in another form, which has been made, time out of mind, upon corporations. Daniel Webster once said:

"The attack upon rich and exclusive corporations is idle and delusive."

And again he said:

"We know that corporations are only partnerships carried on in a more convenient manner than they could be done by indenture; that they are not monopolies; and that it is because of their convenience that they are employed."

The same is true of those large corporations now known as combinations. Would that there were more of such public men, with his insight and his courage!

The demagogue who attacks corporations and combinations has his usefulness, perhaps, in making us more alive than we otherwise might be to the dangers which may accompany accumulations of great capital. As good citizens we must see to it that in our effort to secure large returns upon invested capital, no harm shall come to the Commonwealth of which we are members, or to our country which is essaying successfully, for the first time in the history of the world, the problem of self-government.

When this question is discussed and rediscussed, as from time to time it must be, in our legislative bodies, in the debating society, in the country store, and in the home, do not forget that as advantages are relative, so also are disadvantages. There are, perhaps, some disadvantages about these organizations. Most of them are imaginary, or theoretical; but granted that there are disadvantages, we are not to judge an institution by its shortcomings alone.

Judged in this way, what would one say of the institution of marriage? It is the butt of the weekly punster, and too often justly so. It fails often to accomplish its higher mission. Yet would any sane man suggest, for that reason, that it be abolished? The progress, yes, the establishment of religion, has been marked by wrongdoing, by persecution, and by bloodshed. But for that reason does any man claim that religion has failed of the purpose of its divine author? No; because the test is whether, in the long run, it has made for righteousness. If it has, then its disadvantages, shortcomings and its misdeeds are insignificant as compared with its good. The Constitution of the United States has been pronounced to be one of the greatest creations of the human intellect. Yet lawyers have argued and courts decided, concerning its meaning; and on the construction of its language there developed one of the fiercest of modern wars for the maintenance of the Union it had created. Has our essay of republican government by a written constitution, therefore, been a failure?

And, let me remind you here, that the union of the two parts of this country, split asunder by this struggle, has only become complete within the past few years; and the manufacturing industry has done more to bring about that union than any other agency. As long as the South was a producer of raw material

alone and the North a manufacturing section, their interests lay apart. But when we had established manufactures in the South and there resulted an exchange of raw material and manufactured products, then came the time when, through reciprocal relations, a union was created which could never have been established by force of arms. Daniel Webster—a sentinel as he always was on the watch tower of our country —long ago urged the introduction of manufacture into the South, predicting that we should thus cement a Union between the North and South, which, even in his day, was rapidly becoming a Union but in name. He recommended as prevention what we have seen the effect of as a cure.

The legal methods for organizing industrial combinations deserve some mention; for the discredit into which some of these combinations have come is attributable to legal defects more than to any other cause. Industrial development is always in advance of legal machinery. It is only when commercial interests imperatively require them that our legislatures provide new laws for the new conditions. While we are in advance of Europe in the invention of labour-saving machinery and in the higher development of manufacturing industry, our law-makers are behind those of the Old World in providing laws for the larger aggregation of wealth and intelligence.

Nearly fifty years ago the English Parlia-

ment recognized the right of freedom of association for business purposes. Restrictive statutes were repealed, and laws were passed conferring upon individuals the right to associate for business purposes, without restrictions as to the number of persons, the amount of capital or the nature of the business. The associations under those laws lie at the very foundation of England's prosperity and greatness, and contributed largely to her long supremacy as the financial and commercial centre of the world.

The legislators of the State of New Jersey have been in advance of the legislators of sister States in providing laws for the organization of industrial corporations. The lawmakers of the State of New York, however, are beginning to see the great loss to that State by the diversion of capital to New Jersey; and liberal amendments have just been enacted by the New York Legislature for the formation of corporations. One of the New York legislators, who has closely studied this question, states that, in his opinion, "It is as prejudicial to business interests to pass laws to forbid the combination of capital as it would be to turn the universe back three hundred years, and pass laws forbidding the combination of labour. Laws should be passed facilitating the combinations of effort and means, whether these means are the muscle of the labourer or the accumulated wealth of

the capitalist." Men high in authority in our national government, who have given this matter thoughtful attention, consider that the time has come when Congress should pass general laws, free to all citizens of the United States, under which large manufacturing corporations may be organized.

One more thought and I shall have finished. There *will* come a time when the protection now afforded to domestic manufactures will be largely reduced. As at present constituted they could not survive any considerable reduction of that protection. But if we are to have in this country freer trade, or absolute free trade—which everyone recognizes as desirable when we are in a position to meet it—it can safely come only when the way is prepared for it by the superior development of our manufacturing industries. We have seen how cost can be cheapened through an immense production of an article under one directing head; and although we are handicapped by dearer labour than exists in the densely populated countries of Europe, we have the advantage, which will go on increasing, of the most liberal consumption here at home for the greater part of our manufactured products.

If it be denied that the formation of these combinations will help to make possible freer trade, or free trade, let me call attention to the significant fact that the only industries which have arisen above the needs of protection are

those working under the advantages of combination. The oldest and most important combination to-day is supplying the markets of the world, exporting annually its products to the value of over $50,000,000, not only to Europe, but to the cheap-labour countries of China and Japan. When the treaties of reciprocity were being negotiated with the Spanish-American States, the question arose as to the desirability of the United States asking for the free admission or a concession of duty on petroleum. The position taken by the eminent statesman who was directing those negotiations was that we produced by far the cheapest light in the world, and there was no necessity of asking for it any concession.

There is ample crude petroleum in South America and in Russia to supply the wants of the world, but it is the concentration of ability and wealth that has put us in a position in that industry to ask no consideration and to fear no rivals. At the same time, the price of oil has been steadily reduced along with the lessened cost of refining and the saving which the Standard Oil Company has been able to make of millions of dollars annually by manufacturing every important article required in its business. If every manufacturing interest were in that position to-day there would be no need of a protective tariff. We could throw open our markets without fear or favour. In

my judgment, we can reach that ideal position by fostering this higher development of manufacturing enterprise, taking advantage of aggregations of wealth, of matured judgment, of experience, of executive ability, of inventive genius, of reduced cost through large production. This is how to compete successfully in manufacture with the whole world.

CHAPTER II

AGGREGATED CAPITAL: ITS HISTORY AND INFLUENCE

By S. C. T. Dodd

To study the history of aggregated capital one must begin at a comparatively recent date. The ancient world knew little about it. Wealth in the hands of single individuals or families, accumulated to wonderful proportions, but it was unproductive wealth. Business was too ignoble for the Egyptian, the Greek, the Roman aristocrat. Plato, in his laws, ordered a citizen to be punished if he attempted to concern himself with trade. Augustus is said to have condemned a senator to death because he so degraded himself as to engage in manufacture. Rome obtained her wealth by plunder, not by production. Hence, these nations knew little of capital as we are now to consider it—wealth used in reproducing wealth; still less did they know of aggregated capital—large capital composed of aggregations of the smaller capitals of persons associated in trade.

Little did that great commercial nation, England, know of aggregated capital until within the last three centuries. Prior to that time wealth was almost solely in landed estate, or

in personal property used for hoarding or display. Trade was considered unworthy of a freeman. The business man, or shopkeeper, is still looked upon with contempt by the English landed aristocracy, a survival from those old days. Then there was little demand for active capital and none for aggregated capital. There were no banks in which small savings might be placed for use as an aggregated mass. Outside of farm labour there were no employers or employees. The tailor needed only his goose and needles, the tinker his pot and irons, the cobbler his hammer and last, the farmer his plough and spade, and the few tools necessary to manufacture his wool, flax and skins, for his own use.

Now all is changed. Individual labour, where a man is at once master and man, is almost unknown, except remote from the great centres of trade. Labour is divided and subdivided, and is carried on by means of costly machinery in great factories. Workingmen are hands, and are subject to the directions of superintendents. The smoke of the workshops and the railways carrying products befoul the landscape and vex the hearts of John Ruskin and his sentimental followers; trade strikes and riots are known; capital and labour are, or are said to be, at enmity. For this aggregated capital is responsible, because without aggregated capital commerce and manufactures are impossible.

Surely those must have been idyllic days before the great change. The farmer ploughed his soil and called no man master; the plough-boy went merrily whistling to his work as the sun rose above the hills; the milk-maid skipped over the dewy fields; the harvest was gathered home with songs and rejoicing; the villagers danced at eve about the be-ribboned May-pole. All was like a scene in an opera and just as real. No such days existed except in the imagination of poets. England, prior to the days of the introduction of machinery and her extensive manufactures and commerce, was a very different land from that pictured. The mass of the people lived in abject poverty. Their food was peas, black bread, fern roots and the bark of trees. Their clothing was of leather or their limbs were wrapped with wisps of straw. Their thatched huts were without chimneys or glass; a hole in the roof partly carried off the smoke from the fire on the mud floor, and the fire had to be covered at the ringing of the curfew bell. Many of the people were as savage as Indians. Half-naked women chanted wild measures, while the men with brandished clubs danced a war-dance. One-half of the families did not know the taste of fresh meat, and most of the other half had it but once a week. Roads were mere gullies filled, in wet weather, with mud, through which travellers floundered on foot and on horseback. The king and court travelled in carts drawn by

oxen. The first carriage was introduced in 1561. It was deemed a sinful luxury, and was denounced as "a temple in which cannibals worshipped the devil." The houses were without ventilation; the floors were covered with rushes, the bottom layers of which were left untouched sometimes for twenty years, alive with vermin and foul with unspeakable abominations. The house servants went about naked or in extremely filthy garb, and slept on the ground by the fireside at night. Noblemen were destitute of comforts which are now the necessities of every workingman. Clean shirts were almost an unknown luxury; the coat-sleeve served the purpose of a handkerchief. The purest country air was fouler than the air of our city slums; the death-rate was double that of to-day, and men were old at forty. The people were as degraded mentally and morally as physically; a majority of members of Parliament could neither read nor write; religion consisted in reciting the catechism or in ecstatic visions; the cart ever creaked on its way with victims to Tower Hill or Smithfield or Tyburn.

Such was "Merrie England," such the "golden age" of the past, to which imaginative men would have us return, and to which we will return when we shall have abolished trade combinations and the aggregations of capital which alone render modern industry possible.

The great factors of modern progress have

been associations of individuals and combinations of capital in business. Without this, commerce, manufactures, business, in the modern sense of these words, cannot exist. While England was still in a state of semi-barbarism, other nations had experienced the light of civilization, and the path of commerce and civilization was identical. In all ages and countries commercial centres have been the centres of culture, arts and sciences. It is only necessary to refer to Carthage, Corinth, Athens, Alexandria, Palmyra, Rome. During the dark ages civilization was preserved by the commercial Arabs, and had its seat in their beautiful cities in Arabia, Africa and Spain, and after the dark ages it was restored to the West through commerce. The Venetians, the Genoese, the Florentines, and after them the Portuguese and the Netherlanders began to learn the powers of association and of aggregation of capital. They established banks; they formed great combinations for trading purposes; such as in modern days would be called trusts; they sought for treasures in distant lands; they covered all known seas with their commerce. Trace the paths of this trade from the direction of the rising to the setting sun, through Venice, Florence, Genoa, the free cities of the Rhine and the Netherlands, and you trace the direct and almost contemporaneous path of knowledge, enlightenment, arts, culture, comfort, and all that makes civilization.

The Hanseatic League, a trust which embraced not only thousands of persons, but cities and states, with capital without limit, penetrated the known world, kept free the paths of commerce from the freebooters which preyed upon it, and redeemed the north of Europe from barbarism. The great East India trading companies not only discovered America and opened up the treasures of many lands; they brought also to Europe the arts and learning of the world. Still better, by association of mind with mind, like flint striking steel, mental fire was created, thought was developed and Europe evolved a civilization far in advance of that of other lands.

It was not until the close of the Sixteenth Century that England began to feel the spirit and effects of association of persons and capital, and of the extended commerce they made possible. The defeat of the Armada and the decadence of Spain opened the seas to English merchants. In 1553 a great company was formed to trade with Russia. In 1578 Drake circumnavigated the globe. In 1600 the first English East India Company was formed. In a few years Englishmen were buzzing over the world, taking possession by their associated companies of old and new continents. The American colonies were formed by chartered corporations whose capitals were subscribed by English merchants. Such were the Virginia companies, the West India Company,

the New England Company and a host of others. They were mere trading companies. The Pilgrim fathers tried, but could not obtain a charter; their enterprise, however, was fostered and encouraged by the London Company and the Plymouth Company, which companies had sent expeditions to, and had fully mapped, the coast of New England before the Pilgrims landed. The cynic who said the Pilgrims came here for "God and gain" was truthful, but not necessarily reproachful. The act which has God and gain for its motive is not likely to be wrong.

Almost contemporaneously the condition of England began to improve. Pavements were laid in the filthy streets of London, and their darkness was, if not dispelled, at least made visible. The smoky and unwholesome cottages began to give place to houses of brick and stone with rooms "large and comelie" and lighted with windows. Stoves were introduced. Men began to experience the luxury of being warm. Beds with bolsters took the place of the floor with logs. Clean wood floors and even carpets appeared instead of vermin-infested and filthy rushes. Shirts began to be worn and even washed; and handkerchiefs usurped the place of the coat sleeve. It was the inevitable result. It is with men as with wind and water: movement means life, stagnation means death. Capital is the force which vitalizes society.

But still a new era was to dawn for England. Commerce made manufactures necessary and necessity stimulated invention. In 1769 Hargreaves invented the spinning jenny, and soon after Watt invented the steam engine. Henceforth labour was to be conducted less and less by the vital force of man, more and more by the forces of nature guided and governed by man's intelligence. The co-operation of many men and the aggregation of their small capitals were necessary to erect factories, to purchase machinery, to organize labour and to secure its results by opening markets for the exchange of manufactured products among all peoples. This was followed by the railway, for which capital in still large and larger aggregations was required, and thus the world was revolutionized.

"England," to use the words of Daniel Webster, "became a power to which Rome, even in the height of her glory, was not to be compared—a power which has dotted the whole surface of the globe with her possessions and military posts—whose morning drumbeat, following the sun, and keeping company with the hours, circles the earth daily with one continuous and unbroken strain of martial airs." But far better than her military prowess, the air that encircles the earth, and swings with it in its revolutions, throbs through all its wide expanse, and in every moment of its daily progress with the roar and

clatter of machinery of the English-speaking people.

"The ships that pass between land and land are like the shuttles of the loom weaving their web of concord among the nations." May their good work prosper until all nations shall learn that their true glory lies in work and not in war, and until everywhere the throb of machinery shall replace the throb of war-drums.

Not labour alone, not machinery alone, but labour made possible, and machinery constructed, organized and moved by aggregated capital, has fertilized deserts, dried up marshes, kept a million spindles in motion and a million wheels revolving, opened mines, utilized coal and metals, converted mountain crags and clay into comfortable dwellings, filled the seas with the white sails of commerce and the air with the smoke of manufactures, bound lands together with steel rails, made waters and winds and lightnings our servants, brought man in contact with man and mind with mind, inspired thought, created civilization, penetrated the unseen, discovered the unknown, and made all nature subservient to the human race.

To stop co-operation of individuals and aggregation of capital would be to arrest the wheels of progress—to stay the march of civilization—to decree immobility of intellect and degradation of humantiy. You might as

well endeavour to stay the formation of the clouds, the falling of the rains, or the flowing of the streams, as to attempt by any means or in any manner to prevent organization of industry, association of persons, and aggregation of capital to any extent that the ever-growing trade of the world may demand.

So far, you may say, I have been dealing in glittering generalities. I shall descend to particulars to show how capital through manufacture and commerce has benefited mankind.

The object of all labour is to supply human wants, and want is the incentive to all human progress. The wants of the barbarian are few, the wants of the civilized man many. The greater our wants the higher our life. The highest good will be obtained when all the reasonable wants of civilized man are supplied with the least labour. Nature is able to supply all our wants without undue toil if we rightly know her laws and wisely utilize her forces. Rightly to know is the province of knowledge. Rightly to utilize is the province of capital. In addition to the grosser material wants, every human being needs, and is entitled to, time for repose, time for recreation, time to exercise his mental faculties, time to enjoy his home and his family. This becomes possible just in proportion as the use of capital and machinery makes work more effective,

and enables man to produce most with the least labour.

Homer says twelve women were constantly employed grinding grain in the house of Penelope, probably one grinder to supply twenty-five bread-eaters. Now, the labour of one man, aided by the force of nature which is supplied by the force of capital, produces flour for 4,000 persons.

But little over a century since the steam spindle and loom were set in operation. Now a cotton spinner effects the results which were obtained by the labour of 320 men in 1769. One operator in a cotton factory supplies the wants of 250 men; in a woollen factory, of 300 men; in a shoe factory, of 1,000 men. In the Pyrenees iron is still produced as it was centuries ago. One man produces about thirteen pounds per day. At a modern blast furnace the labour of one man is equal to the production of 500 pounds per day of a far better product.

A man will carry sixty-six pounds twelve miles per day over bad roads. A horse will carry 440 pounds. A locomotive will draw 175 tons a greater distance in an hour at a cost of six-tenths of a cent per ton per mile.

But, it is often asked, in what way is the workingman benefited by this? If a machine does the work of 320 men, are not that many men thrown out of employment?

The first effect of machinery is to displace

labour and thus to create temporary hardship. Its secondary effect is to create a demand for additional labour, while at the same time it increases the wages of labour and decreases the price of products upon which the labourer subsists. Labour multiplies and extends in all directions in proportion as capital furnishes man with the means of labour.

In England before the invention of the spinning jenny there were 5,200 spinners and 2,700 weavers. Ten years later there were 105,000 spinners and 247,000 weavers. In 1833 there were 487,000 spinners and weavers. To-day, taking the collateral industries dependent upon the cotton, woolen and flax industries, not less than 2,000,000 persons are employed instead of the 8,000 employed at the time the spinners and weavers broke the machines because they destroyed the labour.

The railways displaced the freight waggons and stage-coaches, and many a Tony Weller lamented that honest industry was destroyed. Now the railways of the United States alone give employment to an army of 750,000 men, not encluding the army engaged in the collateral industries, necessary to maintain the tracks, machinery, etc., nor the still larger army engaged in the hundreds of industries which, without railways, could not exist. Thus one industry creates another. Aggregated capital and organized industries are synonymous terms. Railroads, telegraphs, manufactories, are sim-

ply utilized capital by which labour is made possible and effective.

While it is usually admitted that capital, by building up these wonderful industries, has enlarged the demand for labour, the assertion is made and repeated that the wages of the labourer have not been increased nor his condition improved. The capitalist prospers, the labourer is oppressed. The rich become richer, the poor poorer.

The fact is that in proportion to the effectiveness of machinery in creating wealth cheaply, the wages of the labourer are increased, his hours of labour are shortened, and the prices of products which he consumes lessened. Whenever capital is small we find more labourers to accomplish a given result, less effective work, longer hours, lower rates of wages, higher cost of products.

In 1800 the weaver could buy ten yards of cloth with a week's wages. In 1890 he could buy 150 yards and work thirty hours less per week.

Another fact speaks volumes. In England the consumption of sugar has within the last fifty years multiplied five times for each person; of tea, four times; of butter, seven times; of bacon and ham, eleven times; and of wheat flour, five times.

The last thirty years have witnessed a concentration of industry and a combination of capital never before dreamed of. It is the

natural and inevitable result of steam, the railway and the telegraph. Distant places are brought closer together, business is not bounded by the lines of the town, the state or the nation. The world is the market, and business and capital in business must be as boundless as the trade.

In 1830 there were in the United States 801 cotton factories with $40,000,000 capital. In 1880 there were 756 factories with $208,000,000. As a result of this concentration, three times as many spindles were operated by each labourer, the product from each spindle was one-fourth greater, the product per dollar invested was doubled, the consumption of cotton cloth was doubled, wages were doubled, the number of persons employed more than doubled. The labourer could, with his wages, buy five yards of cloth in 1880 for one in 1830, and the cotton manufacturer is now richer with his two cents a yard profit than he was then with his four cents profit. A large trade with small profits is better for all concerned than a small trade with large profits.

In twenty separate branches of industry, in which concentration of business and aggregation of capital were most manifest, from 1860 to 1885, wages increased from $8.64 to $9.88 per week, while the purchasing power of wages in the products thus manufactured increased from 100 per cent. to 150 per cent. In the industries in which special concentration took

place the increase of purchasing power of wages has been far the greatest. In railway transportation it amounts to 142 per cent., in telegraph 283 per cent., in petroleum 900 per cent.

There is no mistaking the fact that concentration is the order of development; concentration of people in large cities, concentration of handicrafts in large factories, concentration of transportation in great railway systems. To successfully resist it we must banish steam and discharge electricity from human service. Man is made for co-operation. Savages unite only in war. Civilized people unite in work. The evolution of association is the evolution of civilization. Considering that this tendency is inevitable, is it wise to resist it? Is it not wise to consider carefully how it may more and more be made a power for good, and less and less a power for evil?

Contrast the countries where industries are concentrated, where capital is greatest, and machinery most effective, with those where larger partnerships and corporations are almost unknown, where industry is not organized and large aggregations of capital are not the rule. The condition of labour is always worst where capital is small. Business drifts in old ruts, cannot attempt new enterprises; manufacturing is done by hand or by defective machinery; products are dearer, wages lower, a greater number of labourers are idle, and their general condition much more deplorable.

In Spain 24 per cent. of productive power is furnished by vital force; in Italy, 34 per cent.; in Portugal, 42 per cent.; in England and America, 4 per cent. That is, to accomplish the same result, 42 labourers would be employed in Portugal, 34 in Italy, 24 in Spain, and 4 in England or in the United States. The wages in the United States are nearly three times higher than wages in Portugal, Spain or Italy. There are ten idle men in Portugal to one in the United States, and the general condition of the working classes in those continental countries is beyond comparison worse than the condition of our working classes. The reason for this is, that in the countries named confidence and security does not exist such as leads men to entrust their interests to others, and to risk their wealth in trade. Aggregations of capital are not there possible such as are necessary to erect great factories, to introduce the most costly machinery, and to build the necessary steamships and lines of transportation. In every land wages are higher and the condition of the labourer best where most capital is employed, and that capital most concentrated. In India capital amounts to $35 per head, and wages are 60 cents per week; in Russia, capital $190 per head, of which only 10 per cent. is aggregated capital, wages $3.50 per week; France, capital $1,000 per head, of which 26 per cent. is combined in large industries, wages $5 per week; in

England, capital $1,300 per head, 78 per cent. of which is united capital, and wages are $7.74 per week.

It is not, however, necessary to contrast old England with modern England, nor England with other lands. There are many among us who can by recollection contrast with the present time the days before the railroads and manufactories had in this country drawn together large capitals and made concentration necessary. Our fathers worked harder, earned less, and were deprived of comforts which the labouring man of to-day considers necessary to his existence. The luxuries of their day are the necessities of ours. You may say our fathers were hardier and better men than their degenerate sons. This I deny. Men of to-day are stronger and live longer than their fathers, and they are more righteous, even if they have less of that dogmatic faith and form which with our ancestors passed for religion. To admit otherwise would be to admit that the world has ceased to progress.

But it is not necessary in proof of my position to compare the past with the present. Given differences of place and all times are contemporaneous.

There are over two millions of people in the mountains of Virginia, Tennessee and North Carolina, living to-day as our ancestors lived, without the benefits of capital, machinery, railroads or commerce. They are of good de-

scent and started fairly with the other settlers of America. They raise, card and spin their own wool and cotton, and wear homespun cloth. Five persons in ten hours convert five pounds of cotton into cloth worth twenty cents a yard, making their labour worth about twenty cents a day. They are not an idyllic people; even Charles Egbert Craddock has failed to make them poetical. As the world has progressed through the aid of aggregated capital, and the improvements it renders possible, these people have been left behind. Their mountains are filled with coal and other minerals, their forests are composed of valuable timber, but they do not utilize them. The laziness, filthiness, mental and moral degradation, all that may be summed up as "general cussedness" of these people is proverbial. To send missionaries to them at present is useless. What they first need is the capitalist. When enterprise and energy, backed by capital, shall have aroused their dormant souls, and infused into them new physical and mental life, then the missionary may follow and arouse them to new spiritual life. In all progress the material is first, and capital—in these days of steam and machinery, aggregated capital—is the basis of material progress.

In this hurried sketch of the influence of aggregated capital on the world's progress I confess I have, thus far, dwelt upon the bright

side of the picture. So great is modern denunciation of capital that it is necessary to recall the fact that it has done some good. All that has been said is commonplace; nevertheless many are prone to forget even such commonplace facts as have been recalled to your mind.

There is a dark side to the picture, and the real lesson of this essay, if it has any, will be in considering the more sombre colours and finding some reason for their existence. I have spoken of the great trading companies of two or three centuries ago, and of the vast results accomplished by them. I could tell you also of evils which they caused, and it would be a picture of injustice, oppression and wrong. They were monopolies; that is, they held a grant from the government for the exclusive right of trading with certain countries. An exclusive right granted by the government is what constitutes a monopoly. Without such a grant, no association of men, no aggregation of capital, can succeed in monopolizing ordinary trade. It never has been done and it never can be, except, possibly, under peculiar circumstances which I shall mention hereafter.

These great trading companies were not only monopolies, but the government also conferred upon them political powers. They governed the semi-barbarous people with whom they traded, and they embroiled their governments in wars with other nations which granted

like franchises. They became rapacious and cruel. Their trade degenerated into robbery, and their commerce into piracy. All the wars of Europe, from the peace of Utrecht to the outbreak of the great Continental war, were waged in behalf of these monopolies of commerce.

Nearly all these monopolies eventually failed, and associations to-day which indulge in the vain hope of monopolizing trade may learn a lesson from their downfall. Let me state the reasons in the words of Thorold Rogers. "They kept up prices and so limited consumption. They strained every nerve, exhausted their credit in their effort to keep by main force other traders out of the field, experience proving that the only way one can check competition is by lowering prices. In the expectation of getting one large profit on each transaction, they succeeded in making a small profit or even a loss on their whole transactions put together; for it cost more to protect a designedly narrow trade than it would to establish and render permanent an intentionally wide one. In brief, they narrowed their market and so narrowed their profit."

Every business association of the present day formed for any other purpose than to avail itself of the economic benefits of association, by means of which it may be enabled to lower prices and to extend its market, has experienced the truth of the words just recited.

In those days no corporation was formed without exclusive privileges. Even the smaller and local business of the country was monopolized by aid of government grants. Parliament created franchise enactments; sovereigns granted them by patent. The right to labour became a privilege for which some government favourite received a royalty. The government interfered with the butcher at the shambles and the baker at the oven. The peasant could not grind his corn at his own mill, nor sharpen his tools on his own grindstone, nor make his cider at his own press.

The government having thus undertaken to farm out business, succeeded, as may be supposed, in utterly disarranging it. To set its machinery right hundreds of other laws to regulate trade were enacted, each one serving only to intensify the trouble. Laws regulated wages, they regulated prices, they interfered with manufactories, with markets, with machinery, with shops. Up to 1820 two thousand laws had been passed to regulate commerce, and each law was an unmitigated evil. Buckle has not overstated the facts in saying that "every European government which has legislated respecting trade has acted as if its main object were to suppress the trade and ruin traders. Instead of leaving the national industry to take its own course, it has been troubled by an interminable series of regulations, all intended for its good, and all inflicting

serious harm. To such a height has this been carried that the commercial reforms which have distinguished England during the last twenty years have solely consisted in undoing their mischievous and intrusive legislation." Business in those days was, as the socialists would have it now, controlled by government, and a sorry mess the government made of it.

Is it surprising that aggregated capital did not exert its full influence for good, or that it has been charged with evils that were solely the result of evil laws? The prejudices against corporations and capital existing to-day are largely a survival from those days. The fault however, was neither in association nor in aggregation of capital; it was in the fact that all were not equally free to avail themselves of the advantages which these instrumentalities conferred.

Laws of the most severe character were passed against associations unprotected by government charter, whether of labourers or of business men. It was an offence for workingmen to combine for any purpose; it was made penal to form partnerships above five persons to engage in certain branches of trade. It was a crime punishable with death and forfeitures of lands and goods to form a joint stock association, unless a special government grant was held. This infamous act, known as the Bubble Act, was passed for the purpose of protecting the monopoly granted to the

South Sea Company against competition by voluntary associations. It is a fact, which should be better understood, that the struggle against monopoly was a struggle for freedom of association of persons and capital and against laws which impeded that freedom. It was a battle not only against exclusive privileges of trade, but also against the exclusive privilege of combining for the purpose of trade.

These mischievous laws were not erased from the statute books of England until 1825, and absolute freedom of association was not granted until 1844. There was prosperity prior to that time, because partnerships and associations were formed and men put their capitals together in spite of the law and all of its penalties. Neither King nor Parliament, neither fines nor imprisonment, could prevent the voluntary association and combination of capital in business. Hundreds of such associations existed, millions of dollars of capital were invested. Had it not been so, England's great factories would never have been built, her rich mines would never have been opened, her commerce would not have covered every sea. For half a century business has been free in England—the right of association is without restriction—capital may be aggregated without limit, and England's greatest era of prosperity dates from the day of her freedom from unwise, unjust and iniquitous laws which deprived both the labourer and the man of business of

natural liberty by impeding and restricting the right to labour and trade, and the right of associating persons and capital for the purpose of labour and trade.

The settlers of this country brought English laws and prejudices against combinations with them; but capital being limited, they were forced to combine in spite of their laws and prejudices. Partnerships in business were common from the earliest date; and the legislatures created corporations with a free hand. Our States were, however, surprisingly slow in ridding themselves of the monopolistic features of corporations, to wit: exclusive privileges. Always a source of corruption and of injustice, it is singular that the States tolerated the disgrace for so many years. Now, in nearly all the States of the Union the right of combination is unrestricted, and no exclusive right or privilege can be granted. Three or more persons may form a corporation to carry on any lawful business by simply signing and filing an instrument declaring their intent. The number who may combine and the capital they may employ is unlimited.

The Federal government still creates monopolies by issuing patent rights. Some States create others by granting exclusive privileges; some public industries, such as gas and water companies, and possibly, railroads, are quasi-monopolies, by virtue of the nature of their business. Combinations between such com-

panies and between them and companies owning minerals, limited in extent, may result in something akin to monopoly; but so long as the legislatures claim and exercise the power of fixing the charges of these public companies there is far more danger of legislative confiscation than there is of oppressive monopoly.

With few exceptions, trade is now free to all, and association for the purpose of trade is free to all on the same terms. More corporations are created in each of our principal States now in one year than existed in the civilized world at the beginning of the present century. They have become the greatest means of State and national prosperity. They have promoted industry and thrift in every branch of manufacture and commerce. They utilize the forces of nature for man's benefit. They are the instruments of modern civilization. They have lessened the prices of necessities, increased the wages of labour, brought luxuries to thousands of homes and comfort to millions. We boast of our laws which guarantee political and religious liberty. Not one whit less in importance to the individual, and in their effect on the general welfare, are our laws guaranteeing industrial liberty.

I have said the right of association is free in this land. I should have said it was free until within the last four years. There have been lately placed in the statute books of

twelve or more States enactments which, if they could be enforced, would make an ordinary partnership criminal, and in at least six States enactments which inflict the penalty of fine and imprisonment for uniting persons, skill or acts for the unholy purpose, among others, of reducing—I am not mistaken in the word—of reducing the prices of commodities. A modern Federal law also exists which, literally interpreted, forbids business of any magnitude; but Federal judges have thus far found it easier to dismiss proceedings under it than to guess at its real meaning. Legislatures seem to be vying with each other in efforts to discourage the saving, accumulating and use of capital. They undertake to fix the prices of transportation and commodities, and propose systems of taxation intended to rob the capitalist while he lives and his children when he is dead. We are copying and intensifying the mistakes of our ancestors and the result will be the same. The doctrine of Karl Marx, that "capital is robbery," is working like leaven among the people, although it is not yet publicly announced as a principle which controls legislation.

The last quarter of a century has witnessed a concentration of business such as the world before never knew. What is the result? Has competition been destroyed? On the contrary, it was never so strong. Effort impels to effort—combination begets combination.

New industries are built up—new markets are opened—new methods of manufacture are invented. It is the law of life. By each striving to get ahead, all make progress.

Have prices been increased? On the contrary, combination in business and low prices have ever gone hand in hand. Combination has never been so great as in the last twenty-five years and prices have never ruled so low.

Has the individual been crushed out? To some extent undoubtedly as a solitary individual. But he has found a larger sphere for his efforts through association with other individuals. No day has ever equalled to-day in business opportunities offered intelligent and industrious men.

Has the wage-earner suffered? On the contrary, new avenues of labour have been opened, the demand for labour, particularly skilled labour has increased; wages are higher, the cost of living lower and the condition of the labouring man was never so good as to-day.

With such a quarter of a century of experience of the advantage of association in business behind us, the man who still fears that combination will destroy competition, produce high prices and lessen wages, would have feared a conflagration during Noah's flood.

Let me refer more specifically, if you are not too tired of statistics, to the two branches of business in which combination is to-day the most effective. I learned from the statis-

tics of railways for the year 1890, prepared by the Interstate Commerce Commissioners, that the number of railway corporations in the United States is 1,558, with a total mileage of about 200,000 miles, of which 75 companies operate about 65 per cent. The total capital is about 10,000 millions of dollars. The total gross revenue is nearly 1,052 millions of dollars, of which 75 companies receive 80 per cent. Truly here is a combination and aggregation of capital undreamed of until modern days. What is the result? Although their gross earnings are 1,052 millions, their final net earnings are only 102 millions, of which 90 millions are distributed in dividends. Of their gross earnings, about 230 millions are required to pay interest. That is, about 720 millions annually or three-fourths the gross income goes for labour and for materials into which labour enters, while only 320 millions goes to capital. This expenditure of 700 millions annually is what the railroads do for the labourer directly. They do still more indirectly by furnishing the means of travel and transportation and cheapening the cost of products. For passengers the average revenue is 2 and 167 thousandths cents per mile; the actual cost of service is 1 and 917 one-thousandths cents per mile, leaving 2 1-2 mills profit per mile for each passenger. The revenue per ton of freight per mile is 941 thousandths of a cent, and the cost 604 thousandths, leaving

a profit of 337 thousandths of a cent per ton per mile. The revenue per train per mile is $1.65 and the cost $1.05, leaving a profit of 60 cents per train per mile.

You will admit that the effect of such low prices in cheapening products must be great, and that there is no way of getting those charges much lower except by some invention or arrangement which will still further reduce cost of service. The transportation by railroad to-day costs some 800 million dollars less annually than the same amount of transportation would have cost twenty years ago. The flour and meat you eat is brought from west of the Mississippi River to your city at a cost of transportation scarcely more than it costs you to have a carriage from the station to your door. Wheat is raised in Dakota, milled in Minnesota, carried to Boston and baked in the large bakeries at a total cost of three and one-half cents per pound for bread. Yet poor bread baked in small shops, is sold to the poor at six cents per pound. The cost is nearly doubled after capital has done its part. The cost of railway service does not amount to one-half cent per pound, the cost of retailing is five times that. The railways carry meat from Kansas to New York at one cent per pound. The added cost to the consumer after it leaves the railway is five to ten times the railway charge. The country is convulsed by a slight rise in coal, perhaps justly

so. But the poor of New York who buy coal in small lots pay from 100 to 200 per cent. above wholesale prices. The economy of the future will be largely in the saving of waste in retailing, which averages 20 per cent. of the price the consumer pays. Aggregated capital may be used to advantage in that direction.

My other illustration is the oil business. About 1872 oil refiners began to combine to save themselves from ruin. Oil was then selling at 23 1-2 cents per gallon, and refiners losing money. The output was 248,000,000 gallons. The first great saving was in transportation. Crude oil is now carried in pipe lines from the wells to the principal cities and to the seaboard. The total length of these pipe lines and their feeders exceeds 25,000 miles. These pipes deliver in New York above 1,250,000 gallons per day. After being refined it is transported in bulk cars and bulk steamers. By means of tank wagons it is delivered to retailers in the principal cities of America and Europe, in some cases is so delivered even at the customers' doors. This not only reduces cost of transportation to its lowest point, but largely eliminates cost of packages, which is almost equal to cost of contents. The tanks, pipes, vessels, cars, etc., of this system have cost over $50,000,000. Without this aggregation of capital the system was impossible. The refineries and manufactories of barrels, boxes, cans, sulphuric acid, glue, paint, etc., have

cost nearly $50,000,000 more. The direct result of this aggregation of capital is that the actual cost of manufacturing not only oils, but all that enters into the manufacturing of oils, has been reduced from 50 to 66 per cent. Ordinary export oil is sold to-day at less than four cents per gallon, and the total consumption of crude oil is over thirteen thousand million gallons per year. The saving to the public on the amount sold as compared with the price in 1872 is over $150,000,000 per year, not including the saving resulting from the reduction in the price of the crude product in consequence of its increased production.

The benefits of this reduction in cost are greater than the mere cheapening of the product. It is the means of saving the American oil trade. Russia can produce oil enough to supply the world, and its crude product can be supplied much cheaper than ours. It already disposes of 1,200,000,000 gallons per annum. Were it not for our pipe line system, our tank steamer system, our cheap methods of refining and of manufacturing all necessary materials, we could not hold our export trade for a single year. That export trade in 1892 amounted to over 667 million gallons, of the value, at the extremely low prices of that year, of over $45,000,000.

While careful economy is necessary to produce these results, it is found that economy requires the selection of intelligent workmen

and the payment of good wages, by which alone can good work be secured. The best machinery is of little use without human intelligence, skill, care and faithfulness, and large industries find that these are qualities they can afford to pay for. The wages paid in the petroleum industry are from 15 to 20 per cent. above the average, and this is not the least of the reasons why the product can be made so cheaply. Economists who believe in the "wage fund" theory should make a note of this fact.

Every employe has also a chance to improve his condition. To a great extent the managers, superintendents and others on high salaries are chosen from the ordinary workmen. There is scarcely a man connected with the institution from the president down who did not begin as a clerk or workingman.

It is a matter worth noting that in any joint stock industry, employes have the privilege, of which they avail themselves largely, of becoming shareholders interested in the profits. Thousands become thus interested who could have no hope of carrying on business for themselves, or of becoming members of a partnership. Employes are thus stimulated to greater diligence, care and interest in the work. Strikes are not known in establishments carried on in this manner.

I know that there are persons in this audience who want to get up and "jaw back."

They want to ask, why is it, if all you have said is true, that there are still thousands of poor, thousands out of employment? Why is it that the centres of commerce and of manufactures are also centres of pauperism and misery? Why is it that while the capitalist lives in his palace, workmen herd in slums and hovels? Has aggregated capital banished suffering and want? Has it given to every man a fair chance or even a hope in life?

I wish I could answer these questions satisfactorily. My object has been to show what capital has done and what it is capable of doing, not to claim that it can cure all the evils and inequalities of life. Neither do I claim that it has not left much undone. I assert that capital is a necessary factor in all the progress we have made, and that, just in proportion as capital is aggregated and business concentrated, more labour is demanded, greater wealth is produced, wages are increased and prices are diminished. I have tried to show by history the untruthfulness of the utterance of Karl Marx that "capital is the spoliation of labour," of Proudhom that "all property is theft," and of Henry George that "nature gives property to labour, and to nothing but labour." I hope I have shown that it is not true in countries which have grown rich by production and not by plunder that as the "rich become richer, the poor become poorer," "that wealth accumulates while men decay."

It is a fair inference from what has been said that to be rich is not necessarily a crime, that poverty is not in itself a virtue, and that there may be at least one road to Heaven which does not lead through the poorhouse.

Why is there still so much poverty? One reason is because nature or the devil has made some men weak and imbecile and others lazy and worthless, and neither man nor God can do much for one who will do nothing for himself. If people are content to live in dirty tenement houses or miners' shanties—to supply with alcohol the want of good food and proper clothing—to leave their children uneducated and their daughters to find amusement in dance-houses; if they are content, or even consent, to work for barely sufficient to supply them with barbarous needs, they will find the work and the wages suited to their wants. If employers are willing to deceive the public with shoddy productions and defective work, they will also find the poor and cheap workmen they want. But as capital is aggregated in larger sums this evil will decrease. When millions are risked in a business this kind of work will not do. To make a business permanently successful there must be good work, good wages and good workmen—men of brains who will not strike at the dictation of a walking boss nor poison the food of the so-called scab who is willing to do honest labour. And as concentration of capital goes on there will be

more and more demand for such workmen, while the idler, the bungler, the vicious, the saloon soaker, all who have "yearnings for equal division of unequal earnings," and who curse capital and the men who have earned and saved it, will be less and less in demand and will sink lower and lower in the social and moral scale.

It is true that our great commercial and manufacturing centres are centres of poverty as well as of wealth—of all that is bad as well as of all that is good. Here, however, is a fact worth noting. Seventy-five per cent. of the labouring classes of our great cities are foreigners, not from the factories and workshops of England, but from the Continent; from countries where labour is largely manual and individual; from lands where the labourer is and has been the poorest and most degraded; where wages are the lowest and the methods of living equally low. Poor as is their condition here, it is better than it was at home. Go through our city slums and you will find that the vilest and most degraded are found at work in the sweater dens and other tenement-house industries. There is no aggregated capital in Essex street or among the Bohemian cigar-makers. There the employer is generally as poor as the employes. The next lowest class of imported workmen scatter through the country as agricultural labourers, the poorest paid, possibly, of all labour, and this because

farmers' profits are small. The farmer cannot avail himself of the benefits of association and aggregated capital, and he suffers accordingly. The condition of labourers at our mines is shamefully bad. This is largely a kind of labour in which the best workmen will not engage. In many manufacturing towns also the condition of workmen is a reproach to civilization. But it is generally worst in the small factories. Small capital, business done on credit and high interest make low wages, low workmen and bad work. Just in proportion as industry is rightly organized, the necessary capital invested, and a large trade sought for by means of intelligence, economy and small profits, will this condition of affairs be improved. So far from aggregated capital bearing the blame for these evils, it is the remedy.

I admit that aggregated capital has not cured and cannot cure all the misery and inequalities of life. Will you tell me what can? Will putting all industry into the hands of the government do it? What, then, will become, I will not say of the industries, but of the government? The patronage it already dispenses tests its justice, if not its strength, to the last tension; what will it be when that patronage is multiplied a millionfold? The government will then be governed by a Tammany organization on a national scale. Then we would have cause to sigh for the good old times.

Will an equal distribution of all the wealth produced, including the rents of lands, cure everything? There is not and never has been enough wealth produced in the world to materially better the present condition of its inhabitants. There is not enough wealth in existence to meet the world's necessities for two years. If the rents of all lands were distributed equally it would not amount to three cents per day per head. If the surplus income of employers was annually distributed among the labouring classes it would not appreciably better their condition, while it would bring trade to a standstill for want of capital to carry it on. Of the wealth now produced, workingmen get 90 per cent., so Edward Atkinson claims, and of the 10 per cent. saved and set aside which becomes capital workingmen save and own one-half. It is the remaining five per cent. in a few hands which makes the millionaires and causes so much apparent inequality. The only hope for a better future is in the creation of a greater amount of wealth by means of the improved use of natural forces, more perfect machinery, more effective methods of manufacture and distribution, greater utilization of the present waste of time, labour and material, and in the aggregations of capital necessary to accomplish these results. Nature has enough in store to give all men what they need when once man fully understands her powers and resources,

and has command of the capital necessary to utilize them. There is enough now produced to give every individual a decent living who does not already enjoy that luxury, provided all waste was stopped, and much of the waste and useless expense of trade can be stopped by concentration of industries.

It is urged that aggregated capital makes some persons extremely rich. To this the plea must be, guilty. But what harm is done if A, B and C do become extremely rich, provided they grow rich not by plunder, not by speculation, not by stock manipulation, not by corporation wrecking, or the other forms of robbery mis-called business, but by organizing and carrying on industries? They create the wealth which makes them rich and get but a small part of it. If the eighty million dollars accumulated by Jay Gould was acquired by railway construction, and not otherwise, he benefited the public while he enriched himself. If it should now be divided among the labourers of this country, in one year that enormous capital with all its possible benefits would vanish like the morning mists. Should it, however, be used in increasing and cheapening transportation, or in increasing and cheapening production, it would continue to benefit the public for all the years it was so used.

The world has by no means lost the benefits

of or been injured by large capital in individual hands. It was the merchant prince, John Hancock, who, by his bold signature, first pledged his life and fortune for the independence of his country. It was the fortune of Robert Morris that saved the liberties of this land at the expense of sending him to a debtor's prison. Such fortunes are poured out by millions for the good of the unsuccessful and unfortunate. They build our hospitals, our universities, our colleges, our technical and art schools, our free libraries. Used in this way, or in carrying on industry, great fortunes are among our greatest blessings.

It is also true that combinations and aggregated capital confer advantages and place the individual who works alone at a disadvantage, thus producing inequalities. Perhaps this is to be deplored, but if aggregated capital did not give advantages there would be no good in it. If the use of steam did not confer advantages it would not be used. Admitting, however, that it confers advantages, by what right will you undertake to deprive anyone of its use? Shall I be prevented from doing the best I can, and from calling to my aid association, steam, machinery and every other labour-saving and wealth-producing appliance, because my neighbour cannot or will not avail himself of the same advantages? How soon would progress go upon halting feet if this principle prevailed? If those who push forward are held back none

will go forward. Every advance hurts someone, but thousands are helped. The spinning jenny destroyed the spinning wheel, the power loom the hand loom; canals injured transportation by wagons; railroads injured canals; petroleum injured the whale fishery; electricity supplants gas. Always the more perfect injures and supplants that which is less perfect, and those who are quickest to possess themselves of the better methods outstrip their fellows. Inequalities are created but progress is gained by inequality, not by forced equality. Advantages and inequalities must be blamed on old mother Nature as well as on capital. Show me a community where all men are on a level, where no man is more successful than another, no one richer than another, and I will show you a community stagnant, idle, semi-barbarous, and on the verge of starvation.

The last objection I will mention is that the power given by aggregated capital may be abused. This no one can deny. Whatever is capable of good is capable of evil. Every force may be used for destruction as well as for production. Fire burns, water drowns, the air wrecks ships and cities, steam explodes, electricity kills. Shall we abolish these forces, or shall we control and utilize them? The powers of government, of law and of the church have been abused. Shall we therefore abolish government, law and church? Religion has

been made a cloak for vice, faith has at times degenerated into bigotry, charity is the cause of much of our pauperism. Shall there, therefore, be neither religion, faith nor charity?

Like other forces of industry, association and aggregated capital have done harm and are undoubtedly capable of abuse, but that man is blind to all that history has taught, and doubly blind to all that reason is capable of teaching, who claims that they therefore should be destroyed, or their power for good limited.

If there is one thing that history teaches plainly it is that abuses are soonest reduced to a minimum by permitting, not by restricting, industrial liberty. Give all equal opportunities and business will regulate itself on honourable lines. I do not prophesy an era of perfection. The golden age of the future is a mirage as the golden age of the past is a myth. There will always be beggars on our corners, tramps on our roads, debauchery in our saloons, corruption in our politics, injustice and dishonesty in our business. But men whose integrity is such as to permit them to be entrusted with the management of large capital, whose intellectual grasp of principles and details is such as to command with their products the markets of the world, are those who will soonest realize that the policy which succeeds

is that which accords fair treatment to all, be they competitors, consumers or employes; that there is nothing so sharp or shrewd as honour; that nothing wins like justice; that the well-being of one depends upon the well-being of all.

CHAPTER III

THE GOSPEL OF INDUSTRIAL STEADINESS

CHARLES R. FLINT

THE time is past when it is necessary to argue as to the right of existence of large aggregations of capital, for the purpose of industrial development. Every great movement in the world's progress has been opposed. Machinery has done more to benefit labour than all the acts of reformers and governments; yet originally the class most benefited endeavoured to prevent its use. While combinations of wealth, of judgment, of experience and of executive ability are now generally recognized as a natural evolution in industrial development, all reflective men appreciate that, as mistakes have been made in the development of other great institutions, in the State and even in the Church, so mistakes have been and will be made in the organization and management of industrial enterprises; and at this time, when so many industrial corporations are being organized, it is important that we should compare views in order to minimize mistakes.

Fortunately the capitalization of most of

the industrial corporations which have recently been formed has been clearly defined, and has been based principally upon the earnings for the years during which "America has been wearing her old clothes." Business is active to-day and promises to be more so to-morrow. Profits are large, and for the near future must continue to be so. Add to this the advantages which will accrue from economies and other benefits secured by consolidation, and statements of profit will be rendered which will have a tendency to turn men's heads. The wise managers of large industrial corporations will charge off substantial amounts for depreciation, and increase the surplus out of the unusual profits resulting from increased demand and decreased cost of production.

In my judgment, the danger point will be reached when new capitalization is created based upon the abnormally large earnings of this period of prosperity, and an undue advance in the quotations of existing securities takes place, in consequence of unexpectedly favourable statements of profits. The most successful railroad companies—combinations that have stood the test of time, the best examples of the advantages of aggregated wealth and intelligence—have increased their reserves in good times, so as to be in a position to pay dividends in hard times.

At the close of the period of depression

from 1873 to 1878, I noticed that, after some months of improvement, many conservative men sold their securities, and the people who purchased them made money because there was continued prosperity. After two years had elapsed there was a general feeling that prosperity had become permanent, and the men who had shaken their heads when the mercury in the financial thermometer was only one-third of the way up, departed from their conservative policy when it reached the top and argued that reactions such as had occurred in the past could not recur; that the political system had been perfected; that the wealth of the country had enormously increased; that the conditions of business activity were firmly established; that continuous economic development was inevitable. And if we could recall the names of those who invested at that time in the securities of the companies organized to parallel the New York Central, we should find in the list the very pillars of conservatism. The result reminded me of the remark of Larry Jerome when the guide pointed out the Coliseum as "the greatest ruin in the world." "He evidently has never heard of Pacific Mail," said Jerome.

Industrial corporations, properly organized and well managed, because they can buy, manufacture and distribute more cheaply than their weaker and less able competitors, have

an inevitable and a necessary advantage in the world's markets, and are sure to prosper. But I am equally certain that there will ultimately be a reaction from the present period of unusual business activity. The vital point at this time is to see that industrial corporations are organized and managed upon sound business principles, and not to rush into overproduction and thus to create the conditions of inflation which result in reaction and panic. What should be preached is the gospel of steadiness. The new corporations are large enough and controllable enough to make for steadiness in a way that would have been impossible under the old conditions. They can in case of need be made the instruments of economic safety, just as the clearing houses have been made the instruments of financial stability.

The time when a check will be most needed will be at a later period, when favourable returns resulting from the advantages of consolidation, added to the profits made in time of great prosperity, will cause industrial shares to be much more in fashion than they are today, when corporations will be looked upon by the speculative public as affording exceptional opportunities for stock market profits. When we reach the almost inevitable period of inflation and boom, the result will be reaction; and there will be danger of a crash. Then all of us should have in mind '93 and '96,

when, to quote C. P. Huntington, "Every man who had two shirts was in trouble."

In the organization and management of industrial corporations there are certain dangers. One is the jeopardizing at the outset the most valuable asset of an industrial consolidation, namely, the good-will of the successful companies included in the consolidation. Each company, by years of honest dealing, has established relations of confidence with its customers, who are satisfied with its methods. The danger comes when, upon the completion of the consolidation, some enthusiastic member of the newly formed executive committee, carried away by the theories of centralization and believing himself to be a Napoleon of Industry, attempts to centralize the business too rapidly and too dictatorily, thereby destroying existing organizations, injuring the good-will, and endangering the whole. But experience has proved that in such cases we can usually rely upon the rare common sense of the hard-headed practical men who have built up the industry. The greatest care should be taken in organizing new consolidations to retain the services of such men. In several industrial consolidations with which I have been associated, I have urged at the beginning that the individuality and independence of the successful concerns should be sustained, that the endeavour

should be to bring the standard of all up to that of the best, and not to centralize the business in such a way as to destroy the good-will.

Another disadvantage: While the financial interest of the individual entrusted with the local management of a sub-company or plant is as large in amount as before, his percentage of interest, owing to its being merged with other concerns, is very much less, and the inducement of exertion and economy is not as large as before. In the export and import business we are able clearly to divide our business into departments, according to countries or staples, interesting each head in the department which he manages. Here the departments are independent. But in case of the consolidation of manufacturing corporations, such an arrangement is very difficult, as there is likely to be a conflict of interest, owing to their interdependence. It is therefore undesirable to have any individual interested otherwise than in the common result.

An offset to the disadvantage of a reduced percentage of personal interest is accountability through accurate monthly comparisons of methods and results between the several plants. Managers are very ambitious to have their work compare favourably with that of others. The manufacturer thus has the advantage of comparisons with co-workers in the same line; every improvement is for the benefit of all, and manufacture and methods

of distribution are brought to the highest state of efficiency and economy.

In studying the industrial situation, it seems to me well for us to take advantage of the experience of London, where the capitalization of manufacturing concerns commenced in a large way before it was undertaken in the United States. I find that the amount of the capitalization of industrials in England has aggregated two thousand millions of dollars. In many cases the capitalization has consisted in putting in form for investment private businesses, instead of consolidating many companies into one large corporation, as has recently been done in this country. The two thousand millions of English industrial securities have been, as a rule, most satisfactory investments, and have averaged more profitably than most others. Their failure has been the exception.

In this country, in addition to getting the advantages of putting private businesses into corporate form, we are obtaining the benefits of consolidated management. We thus secure the advantages of larger aggregations of capital and ability.

If I am asked what these are, the answer is only difficult because the list is so long. The following are the principal ones:—raw material, bought in large quantities, is secured at a lower price; the specialization of manufacture on a large scale, in separate plants, permits the

fullest utilization of special machinery and processes, thus decreasing cost; the standard of quality is raised and fixed; the number of styles is reduced, and the best standards adopted; those plants which are best equipped and most advantageously situated are run continuously in preference to those less favoured, in case of local strikes or fires the work goes on elsewhere, thus preventing serious loss; there is no multiplication of the means of distribution—a better force of salesmen takes the place of a large number; and the same is true of branch stores; terms and condition of sales become more uniform, and credits through comparisons are more safely granted; the aggregate of stocks carried is greatly reduced, thus saving interest, insurance, storage and shop-wear; greater skill in management accrues to the benefit of the whole, instead of a part; and large advantages are realized from comparative accounting and comparative administration.

Such are some of the advantages of consolidation. The grand result is, a much lower market price, to the benefit of consumers both at home and abroad, and brings within their reach classes and qualities of goods which would otherwise be unobtainable by them. This is the great *ultimate advantage;* and if this were not sooner or later true, if the world at large did not ultimately reap the benefit, the other advantages would be as nothing.

The severest test of a business system is in times of adversity. Under the conditions which prevailed before these large aggregations of wealth and intelligence, each manufacturer in times of depression rushed in to secure as much as possible of the reduced volume of business; the result was demoralization.

Under industrial combination, however, each concern obtains its fair share of the reduced volume of business at fair prices; and the contraction of business is conducted with the orderliness of a retreat of a well-disciplined army. Nothing in the past has more demoralized industries than over-production in times of prosperity, and the scramble for a market in times of adversity, with resulting cutting of prices to an extent necessitating the reduction of wages and the manufacture of inferior, I might say, counterfeit goods. Such competition instead of being the life of trade is the death of trade. It results in failures among jobbers, manufacturers, and suppliers of raw material, even affecting that favoured class, the bankers. In the long run the consumer is unfavourably affected by these conditions. The goods he buys, though apparently cheap, are inferior in quality; and he suffers as all do, from disorganization.

The change from two hundred million dollars excess of imports of manufactured goods in 1891, to sixty million dollars excess of exports

during the past year, a difference of two hundred and sixty million dollars in our favour, has been principally owing to the development of economic manufacture through combination. Over eighty per cent. of our exports of manufactured goods are being produced by such organizations while supplying the domestic demand, and, to a very large extent, manufacturing the implements and machinery, which in spite of our high wages has enabled our farmers to take advantage of the world's markets. The only way in which the United States can extend and hold its position in the world's markets for manufactured goods is by securing the advantages of highly developed special machinery, which is only possible through centralized manufacture and aggregated capital. Subsidy-seekers claim that "Trade follows the flag"; merchants know that trade follows the price, and the flag follows the trade.

The wars of to-day are industrial wars; wealth is secured by production instead of by plunder; diplomats devote most of their time to studying trade conditions for the benefit of their home industries; and the most favoured treaties are those of reciprocity and commerce. We might as well expect to win the industrial battles of to-day by old methods, as to expect victory with old types of war vessels, manned by men who, as Joe Jefferson said, "Had never had any rehearsals," against those

modern combinations of steel, electricity, powder and dynamite handled by men who have rehearsed, and directed by an experienced executive committee presided over by an Admiral Dewey.

In the centralization of manufacture, the people at large are receiving great benefits, not only through lower prices for products, but by the opportunities offered for investment in the shares of industrial corporations. Incomes were being seriously impaired through the reduction of interest, and opportunities to invest in manufacturing properties were restricted. Now incomes can be increased through judicious investment in industrial shares. In ten years from now there will be fifty times as many people interested in manufacturing investments as there were ten years ago. The trend of the times is centralization of manufacture and wide distribution of the profits.

The wages of the American workman can be sustained only by our keeping in the lead in the development of labour-saving machinery through centralized manufacture. He must be placed and held in the position of an overseer of machines. To-day the productive capacity of the labour-saving implements and machinery of the United States more than equals that of a population of 400,000,000 not using labour-saving devices. It requires the intelligence of the American workman to direct

these labour-saving implements and machines. No other condition would justify the payment of overseer's wages, which the American wage-earner is receiving to-day. Man-power, under these conditions, has given place to machine power; and the man, instead of being a machine, a mere hand-worker, daily becomes more and more a brain-worker and more and more a man. This, more than any other single fact, accounts for the increased prosperity of our people, their larger leisure, larger liberty and larger enjoyment of life.

It is a fact that the larger industrial corporations require the best workmen, and are to-day distributing in wages the largest sum of money so paid anywhere in the world, and at higher rates. One of our political leaders of national importance is reported to have said recently, that organizing large industrial corporations was "good business but bad politics." He was compelled to recognize that they were distinctly within the lines of economic progress and of benefit to the whole community. By "bad politics" he meant that the so-called "trust" issue, though in reality a false issue, could nevertheless be raised to create discontent in certain quarters.

The reply to this is, that such organizations, the basis of our increasing industrial prosperity, stand not only for good business, but good politics. So long as they are well and successfully developed on conservative lines, giving

constant employment to the entire community at advanced rates of wages, with lower prices for all articles consumed, and greater opportunities for increased profits to investors, it will be impossible for even the wildest demagogue to show that "good business" is "bad politics."

The vital questions of to-day are economic ones, and the politicians would do well to study arithmetic. The political party that opposes or even fails to recognize and applaud the present industrial development, the prominent feature of our prosperity, has no more chance for permanent success than if it based its hopes upon advocating laws that would result in paying the American wage-earner fifty-cent pieces in lieu of dollars.

Compare the condition of our people with that which prevailed before the aggregation of wealth and intelligence in the development of industries, when wealth was obtained by conquest, not by industry; when the present necessities of the masses were luxuries only for the rich. By such a comparison we realize that the emancipation proclamations of humanity were written by Watt and Arkwright, Stephenson and Fulton, Franklin and Morse, Bessemer and the great organizers who have applied their discoveries and distributed the benefits of their inventions to the whole world.

CHAPTER IV

COMBINATIONS AND THE PUBLIC

JAMES J. HILL

THERE is in the community a general feeling of hostility towards the railroad and industrial consolidations that have been effected and towards those that are now under way. This hostility is strong, but undefined. Much of it has come, undoubtedly, through the teachings of the newspapers, and, in a measure, through the speeches of political orators. It began when the "trust" came into being and as the result of an effort to obviate ruinous competition. The "trust" was found a very cumbersome structure, and the law of the land declared it illegal. It was not a consolidation in any sense of the word, and differed entirely from the business scheme under which the consolidations of to-day are being effected and operated. Under the "trust" system the stocks of various and competing organizations were trusteed into the hands of a few men, to whom was given absolute and unqualified power to do what they saw fit with the properties placed under their control. It was not on its face a healthy arrangement, and it met with violent opposition on all hands.

The new system in force to-day is neither illegal nor, so far as our experience thus far has shown, harmful to the community. But the people at large have not yet learned to distinguish between the new and the old, and the odium attaching to the "trust" is visited on the consolidation. The old scheme left intact all the corporations it found in existence. In the nature of things, no economy in production could be effected. All the old officers of the individual organizations remained. Certain plants were shut down to restrict the output, but this process affected only the workingmen who were thrown out of employment. The high-salaried men continued to draw their pay, and large bonuses were paid regularly to the stockholders or owners of the plants that had been put out of business. Increased profits, therefore, could generally be obtained only by an increase of price for the product, which was saddled on the consumer. Under the new system, a different usage prevails. Operating expenses are reduced by combining a number of institutions under one management. Useless officers and unproductive middlemen are cut off. The systems of purchasing and distributing are simplified. Economies are effected by the direct purchase of material in large quantities, or, better still, by adding to the combination a department for the acquisition and the control of the sources from which raw material is drawn.

Thus, the Carnegie Company, which was the highest type of this system, took its iron from its own mines, made its coke in its own ovens, worked up its material in its own furnaces, and shipped the finished product over its own railroad or in its own vessels. In the great Krupp Iron Works, of Germany, this system has been in operation for two generations; and, instead of arousing public antagonism, the Krupps have the admiration and good will of the entire German nation, from the Emperor down.

What has just been effected in the great steel combination is simply an enlargement of the Carnegie plan, and, when the value of the great properties combined is taken into consideration, the capitalization of one thousand million dollars is not exorbitant. The Carnegie Company by itself was a colossal institution, so colossal that it dominated the steel market absolutely. But because it happened to be a single company, its tremendous proportions aroused no particular opposition. It was considered a fine, healthy enterprise, as it should have been considered, and Mr. Carnegie and his partners were not looked upon in any sense as "trust" magnates. While hostilities to many other concerns were raging at their fiercest, the organization of the Carnegie Company was not once impugned by the anti-consolidationists.

From all accounts, the workmen of the Car-

negie Company were among the best paid artisans in America. The company could afford to pay high wages, because its men worked under the most perfect and compact conditions. Nothing was wasted, nothing of the earnings went to middlemen, who are mere leeches sucking sustenance from the business body without giving anything in return.

In the nature of things, a plant bought out or added to the Carnegie Company's properties became, by the mere fact of such addition, greatly more valuable than it possibly could have been under independent management and control. There was lopped off at once the item of executive expenses. There was no president's salary to pay, no vice-president's, no office force. The purchasing agents, with their salaries and commissions, became things of the past. The product was worked up in the most scientific and economical manner and put on the market under the best conditions.

The point sometimes made, therefore, that a factory worth $50,000 to-day is necessarily improperly rated at $150,000 to-morrow, because it has been combined with others under one managerial head, has not all the force that might appear from the bald statement of the facts. A property is not necessarily worth only what it represents in the way of real estate, building and plant. It is worth rather what it represents in earning capacity; and, if,

under a combination, its earning capacity is trebled, because of the economy of production, it is not unreasonable to say that its value has been trebled, even though nothing tangible has been added to its material assets. Hard and fast rules do not apply to the value of anything. A piece of property worth $1,000 to-day may be worth $2,000 to-morrow, merely because some improvement has been made in the neighbourhood which adds to the rental value of the property in question. Lands showing evidences of iron deposits, which, ten years ago, could have been bought for ten dollars per acre, or even less, are now worth $50,000,000. Not cost, but earning power, is the measure of value. This fact is exemplified every day in almost every community in the country; and no man would dream of protesting against the increased valuation, or object to the placing of a loan at such increased valuation. It is a business proposition and must be treated as such.

On the other hand, many properties are not worth the price that was paid for them, though they may have been extensively improved. English agricultural lands represent to-day a far higher type of farming than ever they did before, but they are not worth nearly as much as they were twenty-five or fifty years ago. The opening of the great West here in America has given the English farmer a competitor whom he cannot meet on an even plane. In

consequence his land, though it has lost none of its productiveness, is worth very much less, because the market value of its produce is worth less.

The feeling existing against consolidations, as I said before, is undoubtedly general, but investigation will prove that it is almost invariably unreasonable. That is to say, as an open proposition, the majority of the people will declare themselves against these consolidations, say they are bad for the country and speak of the danger that lurks in the "trust"—as they still call it, though it no longer is a "trust" in any sense. But they are rarely able to give any specific reasons for their belief.

There are a few men—that is, comparatively few—in the community who can advance good reasons for their opposition. They are the ones who have been caught between the upper and the nether mill stones; they are the middlemen, and the small competitor who was unable to meet the larger concern in the open market. To them, consolidation has been a distinct injury. This is apparent, and, under our social and business system, inevitable. The aim in business, as in politics, is to do the greatest good to the greatest number; and the greatest number—so far as we can now see—is apparently benefited by the consolidations. Almost every improvement that helps the masses brings injuries to individuals here and there.

The building of a railroad into a new territory puts the owner of the stage coach out of business. Trolley cars that have sprung up all over the country have done grave damage to the local hackmen and livery stable keepers. But the community which is brought into touch with the outer world by a new railroad, and the village or town that gains the advantage of cheap and quick transportation by means of the trolley car, are benefited so much more than the stage owners and hackmen are injured, that the balance is easily in favour of the improvements.

In all such improvements the chief beneficiary is the workingman. The only asset he has to sell is his time. He cannot afford to pay a quarter for a hack ride, but when the trolley comes and he gets a quick ride for five cents, it is a good business investment for him. The rich man is not particularly affected by the appearance of the trolley. He still rides in his carriage.

We are, as yet, only on the threshold of the new era in the business world, and no one can say positively that the present order of things is and will be for the best. That is still to be proven, and it can be proven only by time. All we can say is that, so far as we have gone, the results are certainly favourable. Against the alleged injury that is intangible, can easily be put the benefit that can be shown by figures —benefit to the workingman, benefit to the

consumer, benefit to the capitalist. Wages are higher, prices are lower, investments are safer, more productive and more certain of return.

Where great consolidations have been effected there is no longer any danger of disturbance in the trade through the erratic action of an individual owner. Strikes are much more remote where a general and uniform rate of pay is fixed by a central management.

An excellent illustration of this was seen during last year's strike in the anthracite coal regions. There the general scale of wages was depressed because of the presence of a considerable number of independent operators, who could not or would not pay their men as well as the big companies—the railroads—could pay, because the latter could look for profit both by mining the product and carrying it to market. Again, a settlement of the strike was delayed because the smaller operators felt they could not afford the increase agreed upon by the railroad mining company. The conditions in the coal region illustrates very forcibly the value to the workingmen of a condition where one corporation handles the product from beginning to end, thereby ensuring larger profits, of which it can afford to give its employees a part in the shape of higher wages and steadier employment.

The workingmen benefit also in another direction, where the concern for which they

work is backed by ample capital and has the benefit of concentrated management. They are assured the use of the most perfect machinery. A big concern can afford to make improvements and put in the latest machinery, because such improvements and machinery necessarily add to the productiveness of the plant at a rate that will soon make good the expenditure. The smaller concern, while it realizes this fact, is unable to avail itself of the latest appliances, because it has not the necessary capital to invest.

Another advantage of prime importance to the workingmen is that they may easily participate in the profits of these enterprises by investing their savings in the shares of the more solid and prosperous concerns. Over $2,400,000,000 are deposited in the savings banks of the United States, largely made up of the savings of the wage-earners, and this represents only a portion of their accumulations. With these vast resources at command, the workingmen of the country might, in a few years, acquire a large interest in the concerns in which they are employed. The opportunities thus afforded for safe and lucrative investment will enable them to share in the profits, and thus unite the rewards of capital and labour.

The consumer is assured of lower prices when a big concern is the producer, because such a concern must have a steady market

for its output in order to keep its machinery busy. The loss of a day is a large item. Therefore, in self-defence the big concern must keep its prices within the figure that will secure the greatest number of purchasers.

Moreover, if the result of these industrial consolidations is steadily and relatively to reduce the prices of their products, the gravest of the speculative popular objections to them will be obviated and public opinion will speedily recognize the benefits to the people at large of this new and improved machinery of production. The very motive of self-interest, even the law of self-preservation, dictates a policy which is as necessary to the lasting business prosperity of these concerns as to that popular approval without which they cannot permanently endure.

This is the theory of the new business consolidations; and their promoters, judging by the results attained so far, believe that it will work out—that it is a good policy and a wise one for everybody. Should experience prove that it is not a good condition for the people at large, it will very soon be upset. Politically, the scheme has never been passed upon as yet; and, if it proves a good scheme, it may never be a distinct issue in politics. If the prosperity of the country (much of which, I believe, is due to the consolidations and economies effected so far) continues, the people will be content to let well enough alone. If, however,

it is shown that we are on the wrong track, and that consolidations are harmful to the people in general, as has been so frequently stated, the question will undoubtedly be settled at the polls.

There was much talk during the last Presidential election of the "trusts" and the "trust" issue; but, to my mind, it had very little influence one way or the other with the voters. More pressing issues obscured it, and it was only a side affair, so that politically it is still to be settled, if the situation warrants.

There is one thing that the people who deal lightly with the new business scheme, and who want to sweep it aside as a menace, forget. We have reached a stage in our national development where business must be done on a different plan from that which served us well half a century ago. In 1865, when the war closed, we had thirty-five millions of people; to-day we have over seventy millions. That is, we have doubled our population in thirty years. If we are advancing at the same rate—and indications point to the conclusion that we are—we will have over one hundred and fifty millions in 1935. In other words, we are adding at the rate of one and a half to two millions a year to our population. Thirty-five years ago, or even ten years ago, horse-cars served admirably the purposes of urban transportation. To-day, we could not possibly get along without the trolley. And as it is with

physical conditions, so it must be with economic conditions; we must keep pace with the times. We have reached a period when the old-fashioned methods will prove inadequate, if the masses of the people are to continue in the enjoyment of the prosperity to which they are entitled. There are too many people to be fed, housed and clothed to permit of the wasteful system which would maintain a horde of idle middlemen. People in this country live better to-day than they ever did before in their lives. This is due, I believe, very largely to the improved methods of production. There are fewer drones in the hive, fewer people who share the results of work without doing any work themselves.

All progress is the development of order. A uniform method is the highest form of order. The benefit accruing to the people, and the extent of their progress, will be in proportion to the extent of the application of uniform methods to the production of what they require.

In railroading, consolidation so far has worked as satisfactorily as it has in other lines of business. Operating expenses have been very materially reduced by combining properties, and thus cutting down the list of high-priced officers. Where there were half a dozen or a dozen presidents, each drawing a big salary, within a certain territory, the railroads have been put under one management,

and we have one president, who can easily do the work of all the others, and do it on one salary. It is a curious thing, in this connection, that, while the protests against consolidation have generally come from men and newspapers who talk as the special representatives of workingmen, the real hardship of consolidation, if there is any, has fallen upon the men who drew fancy salaries, and did very little to earn them. These men were generally stockholders in the concerns in which they held office. Every small railroad that began nowhere and ended at the cross-roads, had its president, vice-president and so on, all of whom, under the new order of things, have disappeared. These men were essential under the old order. In many cases, they were the builders of the roads, big and little, that have been merged; but their usefulness has ceased and they are now victims of the new conditions created by our ever-increasing population. They were the men, very often, who created good, healthy competition. But the day for such competition—in railroads, at least—has pretty well passed away in this country. We now have railroads enough to insure the handling of all reasonable traffic, and to add indiscriminately to the mileage would simply increase the cost of this handling. It would benefit nobody. Indiscriminate railroad building is the worst possible thing for the public, in a well-settled community where the roads

in existence are sufficient for the traffic. The public in the end pays the cost. A railroad must either earn the money to operate it, or else borrow. In either case the expense is saddled on the people. If there are two lines where one line will suffice, the added burden falls on the public.

In Europe, where the population is dense, this fact has long been recognized, and the paralleling of a railroad is forbidden by law. Good service can only be given by a road that is making money. A road operated at a loss will inevitably run down, and the people who are compelled to use it will be the chief sufferers.

The road that can give the longest haul in its own cars over its own lines, can make the lowest rates, and yet earn more money than could be made on a haul of the same length when the cars have to run over half a dozen lines, each separately operated by a staff of expensive officials. If, at the end of the haul, the railroad can transfer the goods or passengers from its own cars to its own steamships for carriage across the ocean, the process is continued. Having no separate company and office organization to be supported out of the earnings of the steamships, it can give better service for less money than its competitor less fortunately situated. That is a self-evident business proposition.

There is no longer danger of an unjust squeezing of the public by the railroads through

exorbitant rates. The law of the land distinctly provides that the charges a railroad makes for freight or passenger traffic must be "reasonable." Now, what is a "reasonable" charge? It is based entirely on the cost of operation and maintenance, and its relation to the value of the property used. In this item are included the payment of interest on bonds and a fair return, in the shape of dividends, to the stockholders.

If there are two roads to be maintained and operated where there is use for only one, the traffic must somehow be made to bear the burden, and the basis of the "reasonable rate" is necessarily raised. Competition for traffic may force a temporary reduction, but, ultimately, the public must make up its mind to foot the bill.

Where rate wars are precipitated, the injury to the people along the line is about as great as it is to the railroads. This is true particularly in the smaller towns, which are at a considerable distance from the great distributing centres, and where, therefore, freight rates have a determining influence on the prices of commodities. The rate wars unsettle values, and the business man knows hardly from day to day where he stands. One merchant may be put to a heavy loss because he has brought in a big consignment of goods at one rate, while his neighbour across the way brings in his consignment the next day at a much lower figure.

Stable and reasonable rates are absolutely necessary to the consistent well-being of the community. There was a time, perhaps, when railroads gouged people at non-competitive points, but that time has passed. Both business prudence and the law now regulate these things. Therefore, railroad consolidation, with its more economical operation, means as much to the advantage of the producer and the consumer as it does to the stockholder of the road. Each will share with the other in the result—the one in the shape of more "reasonable" rates, and the other in more certain dividends.

CHAPTER V

THE TRUST: AN ALLIANCE OF WORK, BRAINS AND MONEY

CHARLES R. FLINT

A COMBINATION of labour is a trades union; a combination of intelligence a university; a combination of money a bank; an industrial combination is a combination of labour, intelligence and capital—work, brains and money.

There seems to be much confusion in the minds of the people as to the difference between a trust and an industrial company, due to the fact that those who talk most about them are not yet well informed, either as to their organization or operation. A trust was a syndicate of men who held stock certificates of several corporations and issued trust certificates therefor. Now, industrial interests are represented by shares of stock in regularly organized companies. Although strenuous efforts were made to develop the trust system, it was found to be imperfect. It was adopted when industrial combinations were in their infancy. I have always been opposed to the trust system of organization. They were not required to have any by-laws or keep any official minutes of

their proceedings, or to make any official reports. In general it might be said that they possessed great power without sufficient accountability. The Supreme Court of the State of New York declared them illegal, and every lawyer who is informed in regard to industrial organizations will tell you that that decision has been accepted as final throughout the United States. But the word "trust" has since been applied to great industrial corporations; and as the word represents all that is best in human character, I see no reason why the word "trust" should not be adopted as a short name for industrial combinations. May every officer and wage-earner in every "Trust" realize that the shares of stock are widely distributed among widows, orphans and others dependent on its dividends for support, and live up to the true meaning of the word.

In studying the evolution of industrial life, we find that combination is coincident with civilization. Savages have little power to combine, because combination depends on trust in our fellow man, and in primitive life it is fear that rules. One of the first steps in industrial evolution was to subdivide production into trades. Each did what he could do best, settling accounts by an exchange of products. Later, those engaged in the same trade formed partnerships, then corporations, and finally consolidations of corporations.

Against this march of industrial progress

there has always been opposition. There have always been those who, appealing to special interests, to the unsuccessful, the discontented and the misinformed, have endeavoured to obtain political favour by opposing progress, by endeavouring to prevent the natural, and mutually beneficial, co-operation between capital and labour.

To-day there are men of intellectual refinement and pleasing personality far removed from the centres of finance, commerce and industrial activity, who read of industrial life, but who are not in it;—who are studying the history of industrial progress, but are not making that history—and yet, as Bismarck said, "cursed with the dangerous gift of oratory," they are advocating theories in business and finance that, if adopted, would shake the very foundations of our industrial existence. They are half-thinkers, because they think without the facts. They remind one of General Grant's most amusing after-dinner speech to the newspaper men of New York. He said: "A feeling of awe comes over me when I realize that I am in the presence of men of such marvellous capacity. Your rapidity of conception, your unerring judgment, seem supernatural. When I was before Richmond, surrounded by men who had made a life study of military tactics, when, after days and nights of deliberation a plan of campaign was finally determined upon, one of you would

get down to your office late at night and in a few minutes dash off an editorial telling how we were all wrong, and pointing out what we ought to do. Your remarkable versatility was shown in formulating legislation, and you were peculiarly strong in international diplomacy where the existence of State secrets made it impossible for you to get at the facts."

In this great territory of ours we always have with us those who try to make people believe that their siding is the main track. We have had the "Know-nothing" craze, the "Greenback" craze, the "Granger" craze, and the "Silver" craze; but they were all rejected by the good sense of the American people. To-day our farmers recognize that the markets of the world have been opened to them through the great systems of railways, which have resulted in the heavy steel rail, the eighty-ton locomotive, and the continuous haul. Economically the wheat fields of Dakota are nearer to London and Paris than the farms of Yorkshire and Burgundy. Thus favoured, our farmers during the past few years have paid off so many mortgages that if ground into paper pulp, they would make ballots enough to elect a President.

The men of sound judgment, leaders in the industrial wars for the supremacy of the American farmer, the American manufacturer and the American wage-earner, should not be disturbed by the clamour of those who, not in

the struggle, cannot appreciate actual conditions, and whose leadership, if accepted, owing to their inexperience, would conduct us to inevitable disaster.

Industrial evolution, which is as inevitable and as unalterable as the law of gravitation, has attained its highest development here in the United States. Every unprejudiced man must recognize its advantages, and that it is because of them that we are taking so important a position in the world's markets, increasing our national wealth, furthering the welfare and increasing the prosperity of our people.

The great problems of the economics of production have been solved. What interests us most to-day is not so much the fact of our great industrial prosperity; it is, rather, the question whether the advantages of that prosperity are equitably divided among the contributors to it:—

(1) Capital,
(2) Superintendence and
(3) Labour.

(1) The share to capital takes the form either of interest or dividends.

We find that the rate of interest paid to those furnishing money to industrial enterprises is decreasing. Fifty years ago, the average rate throughout the United States was eight per cent per annum. Now it is less than five per cent. This general rule can be laid down: that

the greater the confidence, the higher and more perfect the industrial organization, the lower the rate of interest. During the year 1896 the stability of our currency and the fundamental conditions of our industrial development was regarded by many with doubt; and money loaned as high as twenty per cent. The investor is ever willing to take lower interest in exchange for greater security and for a steadier and less precarious demand for his funds. Thus that form of industrial organization which furthers careful financing, opens wider markets and guarantees greater confidence and stability, is directly in the interest of capital, although the rate of return on capital is thereby steadily reduced.

The dividends received by shareholders are larger than the interest rates, because the risk is greater. Moreover, being partners and shareholders, they are entitled to a larger share in the advantages of combination. Still it is doubtful if the aggregate of dividends is as large as the aggregate of interest. Dividends are never absolutely certain, and they are never paid until labour and superintendence have first had their share.

(2) What is the position of the man of superior intelligence? for superintendence stands midway between capital and labour.

Highly developed organizations, resulting in enormous volume of business, have increased the necessity for intelligence. As the supply of

brains is not equal to the demand, the price of brains is high. The turning over of individual businesses to combinations has caused the retirement of old men to the advisory board for judgment, and has made way for young men for action. You ask, "What chances have our young men?" While you are asking the question, those of ability and energy have already started on a career of successful industry. If the student will leave his books and the orator his stump and go to our factories, to our great farms, to our mines, to our lines of railways, they will find ten times as many men receiving over $3,000 per annum as there were thirty years ago.

Mr. Schwab, of Pittsburgh, is a type. He started as a stake driver of an engineering corps. To-day, though under forty years of age, he is president of the largest iron company in the world. I can point out a hundred successful men to-day where you could not have named ten under old conditions.

But, it is said, they are dependent. Dependence upon each other is however the condition of civilization. The very word civilization implies community life, and community life means mutual dependence. Complete independence is found only in the wigwam of the Indian. There the young man builds his own house, makes his own clothes, gets his own meat, and keeps his bank account, if he has any, in his pocket. The best opportunity he

has for distinction is in showing superior prowess in hunting, or superior strength in paddling his own canoe. In civilized life, interdependence is more profitable than independence. Your young man, instead of paddling his own canoe, can command one of those great combinations, which is doing so much to benefit the world—the modern steamship. Was Captain Clark less the commander or Chief Milligan less the engineer, because each was dependent on the other in making the historic run and the splendid fight of the *Oregon?* Each gave to the other his opportunity. One might just as well say that a man has no opportunity in political life because we have a police system and no man can do as he pleases. On the contrary, just as a good system of national police is a guarantee of liberty so these great organizations are guarantors of opportunities which otherwise would never exist.

Let us not waste time in considering who will take care of these young men of superior intelligence; they will take care of themselves. The Almighty has given the greater power to superior intelligence, and as Samuel J. Tilden, one of Nature's great monopolists in the domain of intellect, has said: "You cannot substitute the wisdom of the Senate and Assembly for the plan of moral government ordained by Providence."

(3) Let us now consider the interests of the

workingman in this economic evolution which has produced the perfect machinery and giant factories, supported by great aggregates of capital represented by shares which enable all to become investors. It is a fundamental fact that the man of superior ability cannot accumulate for himself without giving to the wage-earners an opportunity to earn the larger share, and it is always an increasing share.

The tendency to-day is to a minimum of profits and to a maximum of wages. When profits become abnormal, they invite competition, and are immediately reduced. In which case the consumer alone is benefited. If they are not sufficiently abnormal to invite competition, then labour demands a larger share of the profits in the form of increased wages; and it is either voluntarily or necessarily agreed to. In this case, the body of wage earners reaps the advantage; and, inasmuch as the body of wage-earners is the great body of the community, the community is benefited. Employees know almost as promptly as do the employers, whether a mill is earning an extravagant profit. If it is, they at once demand their share, and the employer must inevitably yield. It is thus that wages always tend to a maximum, and profits to a minimum.

The maintenance of the high standard of wages now paid in the United States is absolutely dependent upon our realizing the advantages which come through superior organi-

zation. We are to-day shipping manufactured goods to countries where the rates of wages average forty per cent. less than our wage-earners are receiving. Of our exports of manufactured goods, eighty per cent. are produced by large industrial corporations. Articles of manufacture which we do not produce through consolidations are being almost entirely supplied to the neutral markets by the cheap labour countries—Germany, Belgium and England. The centralization of manufacture and consequent use of special machinery have emancipated the slave—have raised the American workman to the position of overseer, not of pauper labour, but of its productive equivalent, machinery. And he is receiving, and is entitled to, the wages of superintendence. The intelligent labour leaders understand this perfectly. It was my pleasure to entertain at my home some of the best known of these. Speaking of labour conditions, I asked one of them to define the difference between his organization and that of the professional agitators. He replied: "We hope to bring about by evolution what they claim should be accomplished by revolution." They said that they "welcomed new machinery, because it did the work which had heretofore degraded labour."

The wage-earners of the United States are to-day enjoying a higher standard of living and a larger measure of well-being than wage-

earners have ever before enjoyed in the history of the world. They are the real money power. The railroad managers have rails and rolling stock; the miner has mines; the manufacturer has bricks, mortar and machinery, and most of them have debts, and many are mortgaged to the banks for savings; but the wage-earners in the United States have on deposit in cash in the savings banks, subject to call, two thousand five hundred millions of dollars.

Thus through co-operation and combination every interest is being benefited, labour most of all. As wage-earners become more intelligent, as they become overseers of machinery, they better understand these conditions. They have the intelligence to recognize that their greatest comfort and happiness is in furthering the industry of which they are a part. To-day one of the great advantages that the United States has over Europe is that its labourers are the more intelligent, are the healthier and happier. The European wage earner, instead of welcoming labour-saving machinery as our workingmen in the United States have done, has tried persistently to retard its general use. The result has been that wages have been lower in Europe. The American workman has received more because he has produced more. This is the great reason why, notwithstanding our high wages, we are so rapidly extending our trade with

foreign markets. The best factory inevitably gets the most work. There is a continual struggle for existence between good factories and poor factories, and the good factory invariably wins.

The law of consolidation of capital and division of labour holds as good in the field of distribution as in that of production. It is inevitable and it is profitable. The department stores and the mail order stores sell for ten per cent. instead of thirty per cent. profit, and the consumer thus saves twenty per cent. The profit obtained by the distributor of staples, on the way from the farmer to the consumer, is less than one-quarter what it was thirty years ago. The farmer secures a wider market, the consumer gets his staples much more cheaply, and the enterprising middleman has improved banking and transportation facilities to do a larger business. This is why he has adopted as his motto, "Quick sales and small profits."

The real benefits of "capitalistic production," as compared with production on a small scale, are twofold. The first and greatest benefit of industrial combinations goes to the whole body of the community as consumers, through reduction in prices. The next benefit, and that next most largely distributed, goes, as I have shown, to the workers through increase of wages, and thus it happens that the workingman gains simultaneously in two ways. He

gets more money for his work and more goods for his money.

Having reviewed the position of our great consolidated corporations as the results of an economic evolution, something should be said with regard to their capitalization. In general there has been much greater conservatism in the capitalization of industrials than there was in the original capitalization of railroads. Our railroads were built principally for the amount of the bond issues, and the stock represented the capitalized hopes of the projectors. The issues of industrial bonds have been considerably below the actual value of the tangible assets, and industrial stock issues have generally been based on actual earning capacity. Still it undoubted that there has been more than one instance of marked over-capitalization of industrials, and no proper legislative measure to remedy this wrong or prevent its recurrence should be neglected.

Fortunately, the evil caused by careless investing and unwise capitalization tends to correct itself by natural laws. Investors, confused by the few inflated industrials which were put out simultaneously with the sound ones, are afraid to buy, and the organizers, unable to sell their securities, now realize that sound capitalization is the best policy.

In organizing industrial companies, preferred stock, which is intended for an invest-

ment security, should not be issued in excess of tangible assets, except in special cases where there is a very large earning capacity protected by very valuable patents or trade-marks. Verified earnings and regular dividends will establish confidence; and the prices of the shares in the well-organized and well-managed Industrials will advance as did the stocks of railroad companies which were originally issued for good-will.

In taking a comprehensive view of the organization and operation of industrial combinations, we cannot close our eyes to the fact that in the evolution of industrial progress, as in all human affairs, there are imperfections and abuses for which it is our duty to try to find a remedy. But we should not permit those desirous of gaining political advantage to exaggerate these imperfections to such an extent as to blind us to the fact that it is through industrial combinations we are able to pay high wages and continue our prosperity. They would have us confine our vision to a dead tree in the landscape instead of looking all around the horizon. It is such narrow-minded men who at times talk against our form of government because some of its departmental machinery does not work to entire satisfaction.

While believing in great organizations; while knowing that they are a necessity if this country is to remain a great power in the economic

world and thereby continue the prosperity of the wage-earners of the land, I do not believe in large aggregations of wealth in the hands of individuals unfitted to wisely administer them.

Wealth is a serious trust, and when left to those who lack experience in the use of it, is often a curse instead of a blessing. Money does us good only as we part with it. There could be no great benefactions without great fortunes. After providing a reasonable competency for one's family, the greatest satisfaction that can be obtained with money is to build up educational institutions, to help our aspiring young men to help themselves. Under corporate ownership this can be done without liquidating or contracting great business organizations whose influence is so far-reaching that they may properly be called great business universities. Such organizations should be sustained and improved, in justice to the wage-earners and managers who have assisted in building them up, and the investors who are dependent on their dividends for support.

One of the features of our industrial situation is that many of the men who have built up these great organizations are retiring. Those men who have blazed the way in this new and rapidly developing country have been the ablest industrial leaders the world has ever known, such men as Carnegie and Huntington,

Rockefeller and Field, Armour and Vanderbilt—the thinkers, the doers, the organizers—men whose creations are the great land-marks in our industrial history. It is fortunate that we have had such leaders. They did their work with the aggressive force that comes of natural energy and temperate living, and with the judgment that comes of experience. They have understood and have been in sympathy with the people because they have been of the people, and the example of these men, rising from the ranks, gives impulse, encouragement and high aspirations to every workingman in the land. They made their fortunes by reducing the percentage of profits and increasing the volume of business; by reducing the rate of freight on a barrel of flour to the Atlantic from $3.00 to 45 cents; by reducing the price of steel from $100 per ton to $20; by improving the quality and reducing the price of provisions and of by-products, while paying a higher price to the farmer for the animal; by reducing the price of oil from 30 cents to 10 cents; by reducing the price of cotton cloth from 20 cents to 5 cents. They realized that, in order to make their combinations a grand success, they must increase consumption by reducing prices. Thus they not only helped to develop a great home trade, but enabled us to open the door of foreign markets, resulting in the enormous trade balance in our favour, on which our prosperity so largely depends.

The industrials to-day are owned by the many. While economic evolution is centralizing production in large corporations, decentralization of ownership goes on simultaneously through the rapid distribution of shares. There are many hundred times more partners in manufacture, mining and railways than there were thirty years ago, and the number is rapidly increasing. Women rarely had an opportunity of obtaining an interest in business organizations. Now they are large shareholders of corporations, and as such they have the full right of suffrage.

Under the old conditions of private ownership, the control of many of our industrial enterprises would have been inherited by one individual or family. Now the control is subject to the same rule that prevails in the administration of our State, and that is the rule of the majority. It is seldom, and fortunately so, as preventing great aggregations of wealth in the hands of individuals or families, that the heirs of industrial giants have the capacity to succeed to the direction of gigantic enterprises. Many inheritors of great fortunes, enervated by ease and luxury, prefer a life of indolence, or to chase the will-o'-the-wisps of society; others prefer to devote their time to literature or art; others to enter upon scientific pursuits. Under the old conditions they would have inherited the control of industries, but under the present conditions of

industrial consolidation, the majority of the stockholders—for generally speaking, the numerical majority is also the majority in interest—elect as officers aspiring young men who have proved their ability and judgment to assume the responsibilities of leadership. Owing to the higher evolution of our industrial organizations these men are developing greater intelligence and superior ability to those who have preceded them. Thus the fittest survive.

In life nothing is stationary; contraction or expansion goes on continuously, and if you don't expand you contract. It is so with nations: Spain contracts; the United States expands. So it is with industry. There are periods of expansion when the mills are running full, and there are periods of contraction when the number of unemployed is large. Confidence is at the foundation of expanding business activity. The amount of business transacted on credit is over two thousand times that transacted in exchange for gold or silver. If there is confidence, the manufacturer employs many hands, the labourers purchase more, the retailer buys more goods, the jobber orders more from the manufacturer, the manufacturer to still further increase his output, employs more hands, and every man who wants work can find it. This is prosperity.

Lack of confidence causes contraction. The

manufacturer is afraid to make many goods, discharges some of his labourers; they purchase less; the jobber cancels his orders; the manufacturer must still further reduce his payroll. The result is "hard times."

Nothing better proves how sensitive confidence is than the holding up of business because of the remote possibility of legislation which may conflict with natural laws. In 1896, the discussion as to changing our financial, legal and industrial systems, created sufficient uneasiness to cause our bank clearings to decline twelve per cent. in comparison with the corresponding months of the previous year. It caused an enormous advance in interest rates, and threw out of work a whole army of men and women. You are all familiar with the change which took place in 1897 when conditions became assured—how renewed confidence set the wheels of prosperity in motion, a result which every one familiar with industrial conditions then predicted. If the mere possibility of unwise and immature financial and industrial legislation caused such a panic as that of 1896, what a terrible cataclysm would be occasioned if, instead of the possibility, we were confronted with the actuality. The difference would be that between the storm and the cyclone. On the other hand, remove all questions as to the sanity and conservatism in our laws, as to the stability of our currency, as to the continuity

of our industrial development in accordance with natural laws, and we shall enjoy a condition of prosperity such as no other country in the world has ever known.

When we entered upon a period of prosperity in 1897, it was after convalescing from a period of severe contraction. Now we are producing gold at the rate of one and a half millions a week, and have a balance of trade in our favour of over one and a half millions a day. Our exports of manufactured goods have been forty per cent. more during the past two years than during the previous two years, and the balance of trade in manufactures has amounted to more during the past four years than during the previous existence of the Republic.

Owing to the mistrust in 1896, we were obliged to appeal to Europe for financial help. We were compelled to borrow money at high rates of interest. During the past four years, owing to our undisturbed industrial development, we have exported the products from farm and factory to such an extent that the balance of trade in our favour has amounted to two billions of dollars, which makes us a great factor in foreign commerce and a world power in finance. England, Russia, Germany and Sweden have come to us for money, and the credit of the United States Government is higher to-day than that of any other nation. When all doubt is forever removed as to the

perpetuity of our gold standard, the American eagle will inevitably become the unit of international exchange in place of the English sovereign.

In view of the fact that the maintenance of high wages in the United States is largely dependent upon our increasing exports, the question is asked whether we could sustain them in competition with the cheap labour of China, were China to become a manufacturing country. The best answer is that in one year, among our other exports, we have shipped two hundred million yards of cotton cloth to the Chinese. The average rate of wages paid by us in its manufacture was seven times the average rate of wages prevailing in China.

The Chinese, like the people in our own country who have a Chinese cast of mind, do not recognize the advantages of combination. Industrially they are living in the land of yesterday, instead of in America, the land of to-day and to-morrow. Notwithstanding her great agricultural and mineral wealth, notwithstanding the fact that she has the largest body of cheap labour in the world, China is not an efficient competing factor in the field of production because, in spite of all these facilities, she has none of the antecedents, intellectual, political, financial or mechanical for large scale production under modern conditions, since she possesses none of the instruments of commercial greatness and social well-being.

Twenty centuries of stationary policy and of looking backwards have made political progress and economic development impossible for China. She has remained in industrial infancy. Lacking industrial organization and all that goes with it in the way of production on a large scale aided by large aggregations of capital and under conditions which attract and ennoble the greatest abilities, her agricultural and mineral wealth and her cheap labour cannot save her. She is left utterly behind in the economic race and her vast territories are now threatened with partition among the European powers.

Our contractionists would practically have us put a wall around the United States which would reduce wages and prevent the working out of our destiny as a world power in commerce, in finance and in the greater and nobler field of doing our part in the advancement and civilization of mankind.

Situated as we are, between the great oceans, combining the strength of a great land power with that of a great sea power, we are pushing our way across the Pacific as we have already done across the Atlantic. But this increase is small compared with the increase that is destined to take place when no question is being raised as to the stability of the foundations on which rests this great industrial prosperity. With our untold natural resources, with our inexhaustible supply of metals and

coal, with our great forests, with every variety of soil and climate, with the most industrious, most intelligent and most contented of peoples working under the best conditions of modern methods, we are destined to become the economic masters of the world.

CHAPTER VI

INFLUENCE OF THE TRUST ON PRICES

FRANCIS B. THURBER

A FURTHER evolution in the organization of industries by the formation of "a Trust of Trusts" in the steel industry, with a capital approximating a billion of dollars, has given fresh occasion for discussion of the so-called "Trust" question, and has increased the already large number of citizens who fear evil from such consolidations. There is a widespread impression that "Trusts" result in unreasonable prices, through which the many are taxed for the benefit of the few, and it may be interesting to inquire how far this impression is confirmed by the facts—not single and sporadic facts, but facts which cover a sufficient time and a sufficient field to indicate the general tendency. Let us, then, examine their effect upon prices, as indicated in the following statistics taken from United States Government reports.

I.

The first great organization of industry in the United States was the consolidation of

railway lines, and its effect upon the prices of transportation is shown in the following table:

AVERAGE RECEIPTS PER TON PER MILE OF LEADING RAILROADS IN 1870, 1880, 1890 AND 1899, INCLUSIVE.

Railway Lines.	1870 Cents.	1880 Cents.	1890 Cents.	1899 Cents.
Lines East of Chicago	1.61	0.87	0.63	0.51
West and Northwest Lines .	2.61	1.44	1.00	0.92
Southwestern Lines.	2.95	1.65	1.11	0.93
Southern Lines	2.39	1.16	0.80	0.62
Transcontinental Lines.	4.50	2.21	1.50	0.99
Average	1.99	1.17	0.91	0.70

This result has been attained largely through combinations and consolidations, which, contrary to the impression generally entertained, have not resulted in abolishing competition, but rather in economies of operation and improvement in service, accompanied by a steady reduction in rates. Railway freight rates in the United States are less than one-half those of other principal countries. Our railways carry our chief products one thousand miles to our seaboard for less than the railroads of other countries charge for carrying these products two hundred miles inland from the seacoast after they have crossed the ocean.

Passenger rates have not declined as largely as freight rates, but there has been a material decline in passenger rates also in the period covered by the above statistics, while the quality of the service has been greatly improved, with a corresponding increase in its cost to the railways.

The railroad of twenty years ago, with its

equipment, would not be tolerated to-day. How many of us appreciate the privilege of stepping into a parlour on wheels and being hurled through space at the rate of forty miles an hour, with as much safety as if we sat in our drawing rooms or were sleeping in our beds at home?

II.

The next great "Trust" was the Standard Oil Company, and its influence on prices is evidenced by the following statistics:

PRICES OF REFINED ILLUMINATING OIL, PER GALLON, EXPORTED FROM THE UNITED STATES, 1871 TO 1902*

Year.	Cts.	Year.	Cts.	Year.	Cts.
1871	25.7	1882	9.1	1893	4.9
1872	24.9	1883	8.8	1894	4.2
1873	23.5	1884	9.2	1895	4.9
1874	18.3	1885	8.7	1896	6.8
1875	14.1	1886	8.7	1897	6.3
1876	14.0	1887	7.8	1898	5.7
1877	21.1	1888	7.9	1899	5.6
1878	14.4	1889	7.8	1900	7.8
1879	10.8	1890	7.4	1901	7.6
1880	8.6	1891	7.0	1902	7.2
1881	10.3	1892	5.9		

This decline in the price of oil is attributable partly to the increase in production, but more largely to improvements in manufacture and transportation, which were only attainable through the aggregation of capital in this industry.

III.

The next great "Trust" in the order of formation was the American Sugar Refining Com-

* The prices represent the market value of article at the time of exportation.

pany, or the "Sugar Trust," a corporation formed under the laws of the State of New Jersey for the purpose of consolidating the sugar-refining interests of the country. Until recently, when additional capital flowed into this channel, it did about eighty-five per cent. of the sugar-refining business in the United States. The tendency of prices under its influence is shown by the next two tables, giving, respectively, the average price of both raw and refined sugar, with the differing margins, during the nine years prior to and the nine years immediately following its consolidation in 1887:

Year.	Centrifugals, Raw, per lb. Cents.	Granulated, Refined, per lb. Cents.	Difference Per lb. Cents.
1879	6.93	8.81	1.88
1880	7.88	9.80	1.92
1881	7.62	9.70	2.08
1882	7.29	9.35	2.06
1883	6.97	8.65	1.86
1884	5.29	6.75	1.46
1885	5.19	6.53	1.34
1886	5.52	6.23	.71
1887	5.38	6.02	.64
Average, nine years	6.43	7.98	1.55

For nine years after the formation of the "Trust," prices were:

Year.	Centrifugals, Raw, per lb. Cents.	Granulated, Refined, per lb. Cents.	Difference per lb. Cents.
1888	5.93	7.18	1.25
1889	6.57	7.89	1.32
1890	5.57	6.27	.70
1891	3.92	4.65	.73
1892	3.32	4.35	1.03
1893	3.69	4.84	1.15
1894	3.24	4.12	.88
1895	3.23	4.12	.89
1896	3.62	4.53	.91
Average, nine years	4.34	5.33	.98

Since 1896 prices have been affected by changes in the tariff, and more recently by increased competition, consequent upon the construction of new refineries, which at times have reduced margins to an absolutely unremunerative point.

The figures for succeeding years are as follows:

Year.	Centrifugals, Raw, per lb. Cents.	Granulated, Refined, per lb. Cents.	Difference per lb. Cents.
1897	3.56	4.50	.94
1898	4.24	4.97	.73
1899	4.42	4.92	.50
1900	4.57	5.32	.75
1901	4.09	5.04	.95
Average five years	4.17	4.95	.77

This reduction in price to the consumer has been effected, partly by increased production, and largely through buying the raw material more cheaply than when a large number of separate refiners were competing for the product. Large economies were also effected by closing inferior plants and enlarging and extending superior ones. The American Sugar Refining Company has bought its raw material at cheap rates, but it has given the public the benefit of such purchases, merely retaining as its profit about one-third of a cent per pound, which, considering the nature of the business, is a reasonable one. It employs more labour and pays higher wages than were employed and paid before the organization of this industry.

In the three years preceding the formation of the "Trust," twelve sugar refineries failed, throwing thousands of operatives out of em-

ployment. There is such a thing as unreasonable competition as well as reasonable competition. The first drives the selling price of the article so low as to be incompatible with living profits, humane hours, honest wages and good quality. The organization of industry is a protest against unreasonable and destructive competition. The nine refineries consolidated into the "Trust" had twenty-seven partners; now the "Trust" representing these nine refineries has over 11,000 partners in the form of stockholders. Is this consolidation or distribution?

IV.

Among the more recent organizations is the "Paper Trust," known as the International Paper Company, organized in 1897. The contract prices of ordinary newspapers for ten years covering a period before and after its formation afford interesting material for study.

CONTRACT PRICES FOR NEWSPAPER PAPER FOR TEN YEARS.

Year.	Cents, per lb.	Year.	Cents, per lb.
1890	3.61	1896	2.35
1891	3.12	1897	2.18
1892	3.12	1898	2.02
1893	2.90	1899	2.00
1894	2.75	1900	2.50
1895	2.40		

Notwithstanding the advance which, owing to the increased demand, has taken place since 1899, prices for paper are far below those of ten years ago, and it is safe to say that neither the

tariff nor trusts have had any appreciable effect upon the price of paper.

The prices above quoted are the lowest contract prices from first hands. Jobbing prices are somewhat higher; and, on an advancing market, jobbers sometimes advance their prices unduly, and lay the blame on "trusts," when the trusts have had nothing to do with the advance.

V.

The latest and, according to many journalistic utterances, the most startling of the trust organizations is "the billion dollar steel trust." This is a consolidation of trusts in that line; and, while we cannot give figures to show its effect upon future prices, the following figures for iron and steel in the past furnishes a basis for future comparison which will be interesting. I foretell results similar to those indicated by the foregoing illustrations in other lines.

The fluctuations in iron and steel have been greater than in most staples, as is shown by the following statistics, giving the prices for "Bessemer pig iron" for a period of ten years:

Year.	Dollars, per ton.	Year.	Dollars, per ton.
1890	18.85	1896	12.14
1891	15.95	1897	10.13
1892	14.37	1898	10.33
1893	12.87	1899	19.03
1894	11.38	1900	19.49
1895	12.72	March, 1901	16.50
		January, 1902	16.50

That the tariff had nothing to do with the advance in prices since 1898 is shown by the

following comparison of English and American prices for steel rails for each month during 1899, which illustrates the influence of supply and demand.

1899.	English.	American.
January	$22.44	$18.00
February	23.24	20.50
March	23.04	22.00
April	23.64	25.00
May	24.90	25.00
June	24.90	25.00
July	25.50	26.00
August	30.96	31.33
September	30.36	32.00
October	32.76	33.00
November	32.76	35.00
December	34.02	35.00

The steel trust has not abrogated competition; it has simply elevated it to a higher plane. There are several plants outside of the trust, which are capable of being a David to the Goliath, if the Goliath should prove unreasonable.

VI.

Let us now consider the fluctuations of prices in staples which are not controlled by "trusts," but some of which are supposed to be influenced by tariffs.

The following prices are for "washed Ohio fleece wool," which grade is less subject to variations than most of the other grades, and thus furnishes a better basis for comparison:

Year.	Cents per lb.	Year.	Cents per lb.
1890	33	1896	19
1891	33	1897	19
1892	30	1898	29
1893	29	1899	26½
1894	23	1900	32½
1895	17½	March, 1901	27
		January, 1902	27

For several years coffee has been declining in price, owing to the fact that the supply has exceeded the demand, as is shown by the following statistics:

AVERAGE ANNUAL COST OF NO. 7 RIO COFFEE.

Year.	Cents, per lb.	Year.	Cents, per lb.
1890	18.03	1896	12.15
1891	16.40	1897	9.80
1892	14.43	1898	6.80
1893	17.42	1899	6.25
1894	16.41	1900	8.30
1895	15.80	March, 1901	7.35
		January, 1902	6.50

When prices declined below the cost of production, production decreased, consumption increased, and prices began to advance again. Good times and speculation helped the advance along.

Prices have advanced from the lowest point, but what their fluctuations will be depends upon supply and demand.

In cotton we have the same phenomena that we have in coffee, as is illustrated by the following statistics of prices for middling cotton, and we have the same cause and effect:

Year.	Cents, per lb.	Year.	Cents per lb.
1890	11.07	1896	7.93
1891	8.60	1897	7.00
1892	7.71	1898	5.94
1893	8.56	1899	6.88
1894	6.94	1900	9.25
1895	7.44	March, 1901	8.75
		January, 1902	8.25

VII.

Power and machinery brought to bear upon natural resources have so increased production,

that wider and more frequent fluctuations in prices are to be looked for in the future than have occurred in the distant past.

The Hon. Carroll D. Wright, United States Commissioner of Labour, and one of the most conservative statisticians, recently published the result of his investigations into the relative productive power of hand and machine labour.

A thousand paper bags could formerly be made by hand in six hours and thirty minutes; they are now made in forty minutes with the aid of a machine. To rule ten reams of paper on both sides by hand required 4,800 hours; with a ruling machine, the work is done in two hours and thirty minutes of one man's time. In shelling corn by hand, sixty-six hours and forty minutes would be required to shell a quantity which can be handled by a machine in thirty-six minutes. A mowing machine cuts seven times as much grass per hour as one man can cut with a scythe. These examples might be extended indefinitely; but a more forceful illustration will be found by considering the total horse-power applied to machines in this country and calculating how many men it would require to do the same work. For such calculations the census figures of 1890 must be used.

One horse-power is equivalent to the power of six men. Thus, if the work of 63,481 men in the flour mills of the United States is supplemented by the use of 752,365 horse-power,

the power is equivalent to the work of 4,514,190 additional men. That is, it does seventy-two times as much work as the employes.

The ratio differs radically in different industries. Mr. Wright finds that the total horse-power used in the United States in 1890 was about 6,000,000, equivalent to the work of 36,000,000 men, while only 4,476,884 persons were employed, the two kinds of power having a ratio of 8 to 1. A force of 36,000,000 men represents a population of 180,000,000, so that if the products of the manufacturing establishments were all made by hand, it would require a population of that size to do it, with none left for agriculture, trade, transportation, mining, forestry, the professions, or any other occupations.

A still more striking illustration is found in our transportation system. In 1890 there were over 30,000 locomotives in this country. It would take 57,940,320 horses to do their work, or 347,425,920 men. In countries like China, nearly all the work of transportation is actually done by man power, and no further explanation of the economic difference between America and Asia is required. By the use of steam we are evoking aid from the heat stored up in our coal beds, equivalent to the working efficiency of the population of the whole earth, while the Chinaman lets his coal lie underground, packs his load on his back, and does his manufacturing largely by hand.

Mr. Mulhall, the British statistician, calculated in 1895 that the use of steam power had increased five-fold in the United States in thirty-five years, thus more than trebling the collective working power of the population. He also remarks that the working energy of one American is more than double that of one European. Thus the civilized world, with the United States leading, is yearly doing an increasing amount of useful work, while Asia does no more than it did a thousand years ago. This fact alone will explain the demand for the "open door," and the growing world-domination of the machine-using nations.

Steam is our Genie of the Lamp, electricity our Slave of the Ring, and machinery an additional slave, which the imagination of the Arabian romancist did not picture. In former times the men who possessed a thousand human slaves, and grew rich upon their labour, were but few; to-day the men who own the power of a thousand horses, embodied in mechanical slaves which speak all languages and serve all masters with equal fidelity, are almost too numerous for enumeration. The inventors of the United States have created these slaves, and we are selling them to other nations at a rate which must soon impair the advantage we have heretofore enjoyed, and level up and level down labour the world over.

This is the ground-swell of cause which the statesmen of the world have to adjust to effect.

The captains of industry, who have been in contact with and have comprehended and grasped these controlling forces in this evolution of industry, have profited pecuniarily from it; but all they have got out of it is a living, somewhat more luxurious, perhaps, than that of the average citizen, but any surplus which they have not left to hospitals, churches and education has, in most cases, enervated and cursed their children. Many of them appreciate this, and we will have more Harvards and Yales and Cornells, and Johns Hopkins and Stanfords and Vanderbilts and Rockefellers and Carnegies and Morgans in the future.

The talk about an Emperor in this country, which the distinguished president of one of our great universities recently indulged in, may be dismissed as a passing thought in a Lenten sermon.

The organization of industry has taken place so suddenly that the public has been startled, as a good horse will shy at an umbrella when it is opened suddenly in his face; but let the horse smell the umbrella and see that it is not dangerous and his alarm will subside. Thus will it be with the feeling of the public toward trusts. Their evil will be eliminated, their good will be developed, their usefulness to mankind demonstrated, and the bogy which the rivalries of sensational journalism and partisan politics have conjured up will fade into thin air.

The facts and the views herein stated are

presented as an antidote to those of the alarmists, but with a full appreciation of the tides and currents of public sentiment, which affect the industries and welfare of our country. These are indicated in the following quotation from the circular of a conservative banking house in relation to the new steel trust:

"It will be cited in Congressional and Legislative halls as full of danger to American institutions through such unprecedented concentration of power in individual hands. It will revive the advocacy of Government ownership of railway lines and of more stringent "anti-trust" legislation, and it cannot be denied that it brings up a very grave question before the American people as to the extent to which the laws of the land shall permit or support such tremendous centralization of power in the industrial world. We might add, also, that it is likely to occasion at the next session of Congress a very active movement for the abolition of duties on all products made by this consolidated company, and if the tariff is once brought up as a subject of serious discussion and amendment there is no telling where it will end. We all know that the agitation of tariff revision is detrimental to general business; for, while it is in progress, both importers and manufacturers restrict their operations until they know to a certainty what the result of the tinkering is to be. Of course, these facts are not going to affect the immediate market for the shares, but they must enter into the minds of the big holders and lead them, as the occasion offers, to part with their holdings to the general public, as far as the general public will be disposed to buy."

If any legislation in regard to "trusts" is necessary, it is in the direction of publicity and reports, for the protection of investors. The

practice of over-capitalization, or stock watering, is considered by many persons a great evil, but it is an injury rather to those who practise it than to the general public. Real values are reflected in the market prices of securities. Bay State Gas was quoted at $1 per share, with a par value of $100, when Standard Oil was above $800. Capitalization is usually based upon earning power, and in this "good will" is often a factor. A newspaper with a plant worth $50,000 may earn $100,000, net, per year. If a company was organized on this, what should its capital be? A railroad is projected, which, when built and with a large traffic developed, can pay dividends upon a capital which would seem very large in its inception, and yet carry for the public at low prices. Unless its projectors had had a prospect of a profit the railway would not have been built. So far as the interest of investors is concerned, they should have information, and they can then use their own judgment. There are frauds in all kinds of merchandise, and the doctrine of *caveat emptor* is of universal application.

Mr. Carnegie has said that a successful business was like a three-legged stool, standing on labour, capital and brains; or brains, labour and capital; or capital, brains and labour—that neither is first and all are inter-dependent. The United States is fortunate in having such a citizen as Andrew Carnegie and millions of

others who, with opportunity, like him, are capable of "rising on stepping stones of their dead selves to higher things"; there can be no dissent from Mr. Carnegie's kaleidoscopic conception. The combination of any two elements in the trinity can be pulled down by the dissent of the third. Each, therefore, must recognize the usefulness of the other and its share in the enormous benefits which Providence has conferred upon the human race in placing such resources of nature and such slaves as steam, electricity and machinery at their disposal to develop them

CHAPTER VII

WHAT COMBINATION HAS DONE FOR CAPITAL AND LABOUR

CHARLES R. FLINT

THE people who lack either the time or the inclination to examine into the truthfulness of things are so numerous in the world that it is a comparatively easy thing to set a fallacy afloat as a fact. Thanks to this condition of the public mind, an entirely false notion regarding industrial properties prevails. Out of every ten thousand men in the community, there is hardly one who would not state it as a hard and fast proposition that the industrial enterprises of the country that have been brought together under the present system of consolidation are all outrageously over-capitalized, and that their stocks present about the most hazardous investment conceivable.

As a test of what is really behind the industrial stocks that are being dealt in on the Stock Exchange and on the curb, I have gone into the figures of thirty among the most prominent companies. These companies were selected at random. The greatest of all, the Standard Oil Company, which last year paid 48 per

lurking in the consolidation of railroads is perhaps not so great, "because they are based on sounder considerations. Their stocks and bonds have not been doubled or trebled or unduly inflated." In other words, railroad stocks rest on a sounder basis than do industrials.

Even if this statement were accurate, which it is not, it would call for this commentary: that there is scarcely one of the great railroads of this country whose shares are now quoted at favourable prices on our Exchanges, which has not undergone the process of reorganization, because they were injudiciously organized. And while the common stock of many great industrial corporations may be said to have been issued not to represent tangible property, nevertheless, it represents a fair equivalent for tangible property, namely good will or earning power long-established, which, for obvious reasons, is as rightfully a matter of valuation as the manufacturing plant itself.

On the other hand, when our great railroads were built, the whole projects were ventures, pure and simple, with earnings estimated, and hoped for, but not realized; and yet, under such circumstances, the capital stock, as a rule, was given away to the subscribers of the bonds, sold frequently below par, and it was out of the proceeds that the railroads were built and equipped. Subsequent defaults, foreclosures and reorganization, have demonstrated not

only that the capital stock had no basis of value, but that the amount of the bonds themselves, and the interest reserved on them, were unjustified.

The large industrial corporations have been long enough in evidence to make it clear that very many of those who are responsible for the creation of these organizations have profited by the financial experience of railroad companies; and have organized these business corporations on a basis, where reorganization is likely to be no part of their business history.

Mistakes have been made, but the comparison between the usual organization of railroads and of so-called "Trusts" is not by any means unfavourable to the latter.

As a matter of fact, however, railroad properties even as they stand to-day in their reorganized form are not nearly so good an investment as are the industrials, and their only hope of improvement lies in the extensive application of the principle of consolidation which has done so much for the industrial stocks. If the consolidation movements now on foot by Mr. Hill and Mr. Morgan and the other great railroad men are carried out, railroad values will undoubtedly be much improved. As they stand to-day, they rank, as investments about half as high as the industrials. This is shown by the list, printed on the next page, which, for the purpose of this article, I have made up in the same way as the

RAILROAD SECURITIES.

Name of Company.	Capital Stock Outstanding. Common.	Capital Stock Outstanding. Preferred.	One Year's Net Income.	March 8th, 1902. Stock Quotations Com.	March 8th, 1902. Stock Quotations Pref.	Total Market Value.	Annual Earning Rate. On Market Value %	Annual Earning Rate. On par of Total Capitalization Outstanding.
Atch., Topeka & Santa Fe..	$102,000,000	$114,199 500	$17,417,020	75⅛	96¼	$186,537,019	9.3	7.9
Baltimore & Ohio Ry	75,996,200	59,227,000	9,744,821	105	94⅞	135,765,525	7.2	7.2
Central R. R. of N. J.....	27,411,800	.....	6,621,179	189	.....	51,808,302	12.7	24.2
Chesapeake & Ohio R. R...	60,542,100	.....	2,050,741	45¾	.....	27,698,010	7.4	3.3
Chic., Milw'kee & St. Paul..	58,183,900	45,754,400	10,479,413	163¾	190⅛	182,438,268	5.8	10.0
Chicago Northwestern.....	39,116,300	22,396,600	5,651,761	228⅛	249	132,148,279	4.2	9.1
Chi., R. I.& Pacific.....	59,987,380	.....	5,097,018	166	.....	99,587,718	5.1	8.4
Clev., Cin., Chic & St. Louis	28,000,000	10,000,000	2,332,543	100⅜	118	39,940,000	5.8	6.1
Delaware & Hudson	34,507,100	.....	3,370,707	171⅛	.....	60,025,000	5.6	9.7
Denver & Rio Grande.....	38,000,000	44,345,880	2,088,257	43¾	91¼	56,900,542	3.7	2.5
Erie R. R. Co.....	112,378,900	*1st* 47,892,400	2,823,157	36¾	67½	82,346,615	3.4	1.6
		2d 16,000,000			54⅛			
Evansville & Terre Haute ..	4,000,000	1,284,000	173,002	72¾	101	4,206,840	4.1	3.3
Great Northern Ry. Co.	.....	123,803,000	7,849,972	.....	184⅛	228,436,535	3.4	6.3
Hocking Valley R. R. Co. ..	10,421,600	14,000,000	1,062,862	68¾	83⅛	18,854,850	5.1	4.3
Illinois Central R. R. Co. ...	79,200,000	.....	7,017,650	139¾	.....	110,682,000	6.3	8.8
Iowa Central Ry.....	8,522,900	5,673,100	65,008	50⅛	83	9,012,737	.7	.4
Lake E. & Westrn R. R. Co..	11,840,000	11,840,000	488,823	68½	135	24,094,400	2.0	2.1
Louisville & Nashville R. R.	55,000,000	.....	4,808,731	104	.....	57,200,000	8.4	8.7
Missouri Pacific Ry. Co....	76,050,000	.....	5,818,626	90⅝	.....	75,669,750	7.7	7.6
N. Y. Central, & Hudson R..	115,000,000	.....	7,835,881	162⅛	.....	186,875,000	4.2	7.8
N. Y., Ont. & West'rn Ry Co	58,113,000	.....	879,233	33	.....	19,177,587	4.5	1.5
Norfolk & West'rn Ry. Co. .	66,000,000	23,000,000	4,157,130	56¾	90	58,155,000	7.00	4.6
Penn. Ry. Co.....	204,529,500	.....	22,194,530	152	.....	310,884,840	7.	10.8
Reading Co.....	69,900,000	*1st* 28,000,000	2,663,087	54¾	80¾	88,355,750	3.	1.5
		2d 42,000,000			66¾			
St. Louis & S. Western Ry..	16,500,000	20,000,000	1,380,706	25	56⅞	15,425,000	8.9	3.8
Southern Railway Co.....	119,500,000	60,000,000	3,634,267	32¼	95	995,538,750	3.8	2.
Texas & Pacific Railway Co..	38,760,000	.....	1,775,292	39¾	.....	15,807,100	11.2	4.5
Wabash R. R. Co.....	28,000,000	24,000,000	303,136	23¾	42½	16,850,000	1.8	.6
Wheeling & Lake E. R.R. Co	20,000,000	*1st* 4,135,600	282,579	19⅝	36⅛	8,995,512	3.2	.8
		2d 11,567,800			31			
Wisconsin Central R. R. ...	16,168,800	11,267,200	246,117	20¾	42	8,087,250	3.	.9
						Average....	5.5%	5.6%

industrial table. Taking thirty, including the best properties in the market, they show an average rate of earnings on their market value of 5.5 per cent., and on their par of total capitilization of 5.6 per cent. On the face of it, this would show a very substantial situation so far as the railroads are concerned, placing them as a whole above the a level with government bonds. Unfortunately, however, the average is more a matter of accident than of anything else, as the earnings fluctuate from .7 per cent. on the market value up to 12 per cent., and from less than one-half of one per cent. on the par value up to 24 per cent.

Surely, on this comparative showing, there is no better investment anywhere than is offered by the industrial stocks of to-day. The cold figures disprove absolutely the charge of general over-capitalization, so freely made by people who have but a superficial knowledge of the situation. Of course there have been cases of over-valuation. These stand out very plainly in the table of earnings referred to. But the average showing is far ahead of that of the railroads.

To pretend that the Trust constitutes a political or economic menace is absurd. Instead of concentrating the wealth of the country in the hands of a few people, consolidations have had exactly the reverse effect. Where, under the old conditions, there were a hundred stockholders, there are to-day a thousand or

two thousand. Never before was there such a wide distribution of manufacturing interests. The great bulk of the stock is held, not by the very rich, but by the moderately well-to-do. The control under the new system is not vested as it was under the old, in the hands of a few abnormally rich men, but it rests with the majority of stockholders, whose numerical strength is growing every day. The danger to the community to-day lies not in the centralization of manufactures, in industrial consolidations, but in the centralization of wealth in the hands of a few men. This centralization was made possible by the old conditions of individualism. Unfortunately, the economic ideas which prevail to-day arrived so late that they have not proven sufficient, up to this time, to check the accumulation of great fortunes by individuals. As the new scheme works itself out naturally, such accumulations will, in the future, be rare.

There is no danger, either to the community or to business, in such consolidation as has been effected in the case of the steel trust. Its capitalization is based on solid properties. That it runs into a thousand millions is not a cause for apprehension, but rather the reverse, for it typifies the acme of scientific business. If, as objectors have pointed out, its securities equal nearly one-half the amount of money in circulation in America, the country has cause, not to fear, but to rejoice. Money,

when based on sound considerations, as our currency is to-day, is but an expressed form of wealth. Stocks and bonds issued on a substantial basis, as are the stocks and bonds of the new steel combination, represent quite as much an expressed form of wealth as the currency. They supplement the money in circulation, and, always provided that they are not the mere output of a printing press, serve as tokens of valuable property. Such stocks and bonds are quite as important an item in the wealth of a country as its currency. As the business system of a country expands, the need, relatively, of money grows less. Instead of the actual interchange of gold and silver in commercial transactions, there comes a system of credit. The amount of business transacted on credit in the United States to-day is over two thousand times as great as that transacted in the exchange for gold and silver. As soon as the volume of trade mounts into great proportions, it is impossible to transact it on the basis of an actual exchange of currency. Instead, every means of exchange is utilized. Drafts and checks are the chief mediums now known in the commercial world. Actual money is scarcely ever passed from hand to hand. It is idle, therefore, and absolutely valueless, as an object lesson, to set forth the proportion that any bond issue or stock issue bears to the amount of money in circulation. We have passed the point here in the United States

where such a statement carries any weight, and we have passed it because we have grown to such enormous proportions as an industrial nation. Not so very long ago, it was different. Then, a dollar in cash was more important, and it went further because it had more to do. When Mr. Evarts, at Mount Vernon, in his exquisitely humorous defence of the accuracy of the tradition that Washington had once thrown a dollar from the Virginia shore to the Maryland shore of the Potomac, stated that a dollar went further in those early days, he may be said to have suggested a great truth, and without being too serious, we may not only enjoy the delightful humour, but profit by it.

We traded in times gone by on the basis of the money in circulation. The result was often disastrous. It left the country in a position where the close-fisted money-lenders had the market at their mercy whenever the notion seized them, or whenever they felt that there was a situation, real or imaginary, that warranted a demand for extortionate interest rates. This condition was a severe handicap to our merchants and manufacturers; but, despite this fact, they managed, by their enterprise and industry, to forge steadily ahead. Now, owing to these qualities, and to an economical and conservative administration of their affairs for the past ten years, they are in a stronger financial condition, and comparatively free from the domination of the money-lender.

And, as in the case of individuals, so it is in the nation. Instead of depending upon the good will of the money-lenders of Europe, instead of trembling, as we used to do, for fear that they would call their loans, we have now reversed the situation. We are no longer borrowers from, but lenders to, Europe. Consequently, the money market has few terrors for us. From a debtor nation we have grown to be a creditor nation; and this is due very largely to the fact that we are conducting our business affairs over here on the most scientific and advanced basis, thanks to the industrial consolidations.

At all times, there have been found plenty of people to oppose progress. The railroad and the steamship and the telegraph and the telephone all had to make their way in the face of violent opposition on the part of supposedly intelligent men. Where new economical conditions are suggested, the opposition is invariably stronger than is met by proposed new physical conditions. It is not strange, therefore, that we should find ourselves face to face with men of standing in the community who combat the introduction of a business system that is, on its face, wholesome and profitable to every one. Benefits arising from the centralized management of our industries are not confined to any one class of people. The greatest proportion of the benefit accrues to the workingman; but capital has its share of ad-

vantage as well in the new scheme. Capital's advantage comes, not so much in the shape of larger dividends, as in more certain dividends, The investor knows more certainly what he may expect, if the enterprise to which he subscribed is conducted on the basis that is at the foundation of the new order of things. There is a minimum of risk, which compensates very fully for the sentimental independence which has been lost. Business enterprises are no longer subject to all sorts of unforeseen contingencies. The danger from strikes, lockouts, over-production and ruinous competition is largely eliminated.

Viewing the matter from every standpoint, the business man is benefited when he operates as a member of a combination instead of as an individual. His property is in the shape of stocks and bonds which he can market at a moment's notice, instead of in the shape of a plant, on which it would be impossible to realize anything like its value at a forced sale. In case of his death or disability, he leaves to his family a property that runs along uninterruptedly.

Another great advantage is that a combination can generally arrange to run its vast factories on full time. The saving in production in this one item alone—that is, where a factory is run on full time instead of half time—is from 4 per cent. to 8 per cent. Over-production, which is one of the most prolific sources of panic,

can be largely prevented under the present system, and that without throwing any great body of workingmen out of employment. This was made very clear in the industries in which I am interested, during the period of depression from 1893 to 1897. Although the volume of business fell off very materially in those years, our factories were kept running and our help was regularly employed during all that period, and at the same time our stockholders received a fair return on their investments, considering the reduction in volume of goods turned out. There were no failures. Without combination at that time, there certainly would have been a considerable number of very serious failures.

The combination is stronger than the individual, because it can institute a system of credits that prevents any great losses through bad debts. In one industry, with which I am identified, the losses from this source were reduced, approximately, from one hundred thousand dollars during the year before consolidation to a thousand dollars last year on a volume of business amounting to $25,000,000. This may be a hardship to people who have not been in the habit of paying their debts, but I think the honest men in the community will be able to bear it with equanimity.

The business man in combination can take advantage of cheap transportation facilities, which, as an individual, would be out of his

reach. An excellent illustration of this is to be found in one of the large corporations of which I am a director, which, since consolidation of the plants constituting its property, has built a large storage warehouse at Chicago. During the summer months, when the waterways are open, freight rates to the West are much cheaper than they are in the winter. This corporation takes full advantage of this fact by sending out its goods for Western consumption during the warm months, and laying them down in its storage warehouse in Chicago. The process of distribution from this point is comparatively simple and very much more economical than it would be if the stock had to be transported from the East as orders were taken.

All these advantages redound directly to the benefit of capital, but indirectly they redound to the benefit of the consumer. They lessen the cost of production, and the consumer is bound to receive his share in this saving.

Labour is immeasurably benefited by the new conditions. The tendency under natural laws would be for wages to gradually decline to the level of the wages paid in other countries, but the industrial combinations have sustained the wages of the American wage-earner. To-day, the tendency is to a minimum of profits and a maximum of wages. Any concern whose profits become abnormal at once invites competition. Naturally, these profits are reduced,

and the consumer, who is the workingman, reaps the benefit. If the profits are not sufficiently abnormal to invite competition, the workingman again comes to the front, for he demands a larger share of the earnings in the form of increased wages. In either case, then, the wage-earners, as the great body of the community, reap the greatest advantages that come out of more economical production.

Everyone knows, of course, that the American workingman to-day earns higher wages than are paid in any other country. This condition has been made possible, not because the American employer is any more liberal than his European competitor, but because the American workingman produces more, and he produces more because he has been supplied with the most perfect system of labour-saving machinery on earth. To supply this machinery, large capital is necessary. The individual manufacturer, standing alone, is not in a position to perfect his machinery in the same measure as the consolidated enterprise. The result is that the workingmen benefit again in being supplied under consolidation with superior tools. The great body of the American wage-earners realize the advantages that come to them under the new order of things, and as the years go on will pay less and less attention to the clamour of the uninformed, and of the agitators who seek notoriety by opposition to "trusts."

The workingmen and their employers, in-

stead of being separated by the application of the new ideas of consolidation, are coming closer together. A manager, or superintendent, who is responsible to a large body of stockholders for the successful operation of a big plant, is, on the whole, much more likely to treat with his men on friendly terms, where differences arise, than is the individual owner of the plant. The latter, in many cases, will feel that his dignity has been outraged if his workmen presume to find fault with his management in any respect. He knows that he is the court of last resort, and that any one should dictate to him as to the method of administering his own property is not to be tolerated. Instead, therefore, of discussing grievances, listening to remonstrances, and taking advice, the individual employer takes a high-handed course, and a strike ensues. Where, however, the plant is controlled by a combination, and the operator is simply a manager for this combination, no matter how large his holdings of stock may be, he is responsible to a higher court, the Board of Directors; and, before inviting a strike or a shut-down, he will exhaust every possible means to arrive at a settlement with his disaffected men. This is almost invariably the case, and the records will show that where combinations have been effected strikes decrease.

People generally will come to realize very soon that the maintenance of the high standard

of wages now paid in the United States is absolutely dependent upon the advantages which come through superior organization. We are to-day shipping manufactured goods to countries where the rate of wages is, on the average, 40 per cent. less than our wage earners are receiving. But we can only do this to advantage in those industries that are controlled by large corporations. Of our total exports of manufactured goods, which reached over four hundred million dollars last year, 80 per cent. were made by the so-called "trusts." Articles not made by "trusts" are being supplied almost entirely to neutral markets by Germany, Belgium and England, the cheap-labour countries.

America is now in the front in the race for industrial supremacy. The main factor that has placed her there is the system of consolidation. Surely, such results do not argue for a restriction, but rather for the continuance and enlightened development of the system.

APPENDIX

I.

THE TRUST AND REPRESENTATIVE OPINION

REV. LYMAN ABBOTT:

On this subject "let there be light"—not heat.

SENATOR MARK HANNA:

"That it is necessary to have organized capital is evident. It is utterly impossible for a corporation to land its product on the shores of another land, perhaps 10,000 miles away, place it in storehouses and await the demands of the consumer before it is sold, unless there is tremendous capital back of the corporation. The combinations of capital, as I have said before, are no new thing in foreign countries. That is why they have builded such splendid corporations and have accomplished such wonderful work in foreign lands. Let us wait and see how these experiments work. If they are bad they will fall to pieces of their own accord. If they are beneficial they will continue to grow."

PRESIDENT ROOSEVELT:

"The machinery of modern business is so vast and complicated that great caution must be exercised in introducing radical changes for fear the unforeseen effects may take the shape of widespread disaster. Moreover, much that is complained about is not really the abuse so much as the inevitable development of our modern industrial life. We have moved far away from the old simple days when each community transacted almost all its work for itself and relied upon outsiders for but a fraction of the necessaries, and for not a very large portion even of the luxuries of life. Very many of the anti-trust laws which have made their appearance on the statute books of recent years have been almost or absolutely ineffective because they have blinked the all-important fact that much of what they thought to do away with was incidental to modern industrial conditions, and could not be eliminated unless we were willing to turn back the wheels of modern progress by also eliminating the forces which had brought about these industrial conditions. . . . What remains for us to do, as practical men, is to look the conditions squarely in the face and not to permit the emotional side of the question, which has its proper place, to blind us to the fact that there are other sides. We must set about finding out what the real abuses are, with their causes, and to what extent remedies can be applied."

PROF. R. MAYO SMITH, Columbia University:

"It is the duty of every thinking man, not to be carried away by his first impressions nor to accept as justified the outcry against trusts."

THE EARL OF ROSEBERY:

"The Americans, scarcely satisfied with gigantic individual fortunes, use these by combination to make of capital a power which, wielded by one or two minds, is almost irresistible, and if this power is concentrated against Great Britain in trade warfare it will be a danger we cannot afford to disregard.

"A trust of many millions might compete with any trade in England, underselling all her products at a considerable loss. This is a possible outcome of the immediate future."

HON. THOS. B. REED:

"Let these agglomerations of wealth take one step in prices beyond what is warranted by the business condition of the world; just let it be known that there are huge profits being gained; then, as all history shows, not only will competition arise, but over-competition, which will make for that business which appears the most profitable on the list. Men are not now so short-sighted as they used to be; fewer geese are killed that lay golden eggs. Men understand that large profits mean over-competition soon to come."

WM. MORTON GRINNELL:

"The evolution of industry is intimately allied to biological and sociological evolution, and their correlation constitutes the problem of the age. Competition is not in the long run the life of trade, but death to the weaker. It is the brutal doctrine of the survival of the fittest, the ethics of the savage beast and savage man. The earlier exponents of evolution enunciated this as the law of nature, but the later and more enlightened philosophers have taught us that harmony is the law of the universe. If, therefore, men would equally and honestly observe these laws we should have great industrial organizations working in absolute harmony for the good of all. These organizations we have, and we call them Trusts, and the good they have done for the people at large is immense, while the evils, very great indeed, are not due to the theory or system, but to short-sighted and selfish human nature."

HON. ABRAM S. HEWITT:

"The great corporations which have sprung into existence within the last ten years are due to an evolution which no more can be arrested than the flow of the tides. They are not injurious to the community or to the working classes. They give more steady employment and a greater demand for labour. The wages have been raised and the prices of the commodities produced have been lessened. All classes

of the community have been benefited by their growth, except such as have been disabled for a time, only to reappear in the form of consolidated organizations more profitable and more advantageous to the community."

PROF. EDMUND J. JAMES, University of Chicago:

"It looks as if we are face to face with gigantic revolutions in industry—as gigantic in some way as those our fathers faced a century ago. They, too, were besought by all whose interests were bound up in the old system to set themselves against the coming change. In fact, it took the French Revolution to sweep away the relics of the Middle Ages and make way for the new era in industry, as in politics. A new corporate organization of industry may be the best substitute for the present competitive system, as the latter was the necessary follower of the corporate form characteristic of the Middle Ages."

REV. DR. GEORGE D. HERRON, Professor of Applied Christianity in Iowa College:

"There is in trusts a wholly divine and resistless force making for co-operation and association. The law of evolution, working toward the development of a social organism in which humanity shall become the social unit and every individual a perfect member thereof, cannot be gainsaid or legislated away. It is this positive force in industrial combination,

beneath all its monstrous and desperate facts, that should receive our chief consideration."

ARTHUR T. HADLEY, President of Yale University:

"So far as the present tendency toward industrial consolidation is a financial movement for the sake of selling securities, it is likely to be short-lived. So far as it is an industrial movement to secure economy of operation and commercial policy, it is likely to be permanent. Attempts to stop this tendency by law will probably be as futile in the field of manufacture as they have been in that of transportation. The growth of these enterprises creates a trust in a sense which is not generally appreciated; it gives their managers a discretionary power to injure the public as well as to help it. The wise exercise of this trust cannot be directly provided for by legal enactment; it must be the result of an educational process which can be furthered by widened conceptions of directors' responsibility. As this process of consolidation and of education goes on, private and public business tend to approach one another in character. The question of state ownership of industrial enterprises, instead of becoming an acute national issue, as so many now expect, will tend rather to become relatively unimportant, and may not improbably be removed altogether from the field of party politics."

ALBERT B. BOARDMAN:

"Now, trusts are not formed, or, if formed, they will not continue for any length of time, unless, on the whole, they are able to furnish goods to the consumer at lower prices and on more favourable terms than the constituents composing the trusts, or individuals or corporations not in the trusts. If, therefore, by legislation the business conditions are made so unfavourable that a particular trust is driven out of business, it will necessarily follow that every one else engaged in the same line of business, working under conditions less favourable than those under which the particular trust is working, must go out of business also. A certain quantity of business is therefore driven away entirely from the country."

AARON JONES, of South Bend, Ind., Master of the National Grange:

"The first step to be taken in remedial legislation is to pass a well-considered anti-trust law by the Congress of the United States defining the powers and limiting the privileges of these corporations. And supplement this law by enactments of the several State legislatures to apply to such phases of the matter as could not be reached by the United States law. It would seem that these laws should provide for government and State inspection of their business, of their books, agreements, receipts and expenditures. This inspection should be

rigid and full, and the rights of the public protected. If the corporations are conducting legitimate business no injury will be done them by inspection. They are using the powers granted to them by the State to crush out other enterprises, or for illegitimate political purposes. These practices are most reprehensible and should be punished by such penalties as will effectually stop them."

BENJAMIN R. TUCKER, New York:

"The right to co-operate is as unquestionable as the right to compete. The right to compete involves the right to refrain from competition. Co-operation is often a method of competition, and competition is always, in the larger view, a method of co-operation. Each is a legitimate, orderly, non-invasive exercise of the individual will, under the social law of equal liberty, and any man or institution attempting to prohibit or restrict either by legislative enactment or by any form of invasive force is, in so far as such man or institution may fairly be judged by such attempt, an enemy of the human race."

Gov. PINGREE, of Michigan:

"Most of you know where I stand with regard to trusts. I am opposed to them—always have been. I claim it is a cowardly way of doing business. If you cannot do business

without being in a trust I haven't any use for you. Get out."

JOHN D. ARCHBOLD, Vice-President of the Standard Oil Company:

"Trusts, or, speaking correctly, large corporations, are the necessary, indeed the irresistible result of our rapidly growing commerce. In adopting them we are but following the example of that greatest of all commercial nations, England, under whose commercial charters capitalization and scope are practically unlimited. Any legislative restrictions imposed here would operate alone to the benefit of foreign commercial competitors."

SAMUEL GOMPERS, President of American Federation of Labour:

"Organized labour looks with apprehension at the many panaceas and remedies offered by theorists to curb the growth and development, or to destroy the combinations of industry. We have seen those who knew little of statecraft, and less of economics, urge the adoption of laws to 'regulate' inter-state commerce, and laws to 'prevent' combinations and trusts; and we have also seen that these measures, when enacted, have been the very instruments to deprive labour of the benefit of organized effort, while at the same time they have simply proved incentives to more subtly and surely lubricate the wheels of capital's combination.

"For our own part, we are convinced that the State is not capable of preventing the development, or the natural concentration of industry. All the propositions to do so which have come under our observation, would, beyond doubt, react with greater force and injury upon the working people of our country than upon the trusts."

H. C. ADAMS, President of Michigan University:

"The vastness of this question will be appreciated when it is observed that its judicious treatment will result in securing for the people the advantages of the industrial development of the past century, while to ignore it or to fail in its solution would result in prostituting the wealth created by a hundred years of phenomenal development to the service of a class.

BYRON W. HOLT, of the New England Free Trade Bureau:

"That the tariff by shielding our manufacturers from foreign competition makes it easy for them to combine, to restrict production and to fix prices—up to the tariff limit—ought to be evident to every intelligent man. It ought also to be evident to all that the greatest objection to trusts is due to their ability to raise prices above a normal, profit-producing point."

JOHN F. SCANLAN, of Illinois:

"Give the American people limited time, and if trusts should prove to be against the

interests of the majority, the law will harness them to the people's interest, not by killing the goose that laid the golden eggs, but by regulating it."

CONGRESSMAN THOMAS UPDEGRAFF, of Iowa:

"There are abundant remedies and sufficient remedies by which aggregations of capital can be controlled and made subservient to the public good, and whenever the American people say in earnest that the work shall be done, it will be done, and the trusts will be controlled, and we will save what is good in aggregations of capital and control what is bad. I don't care whether the tariff is the mother of trusts or not. That doesn't touch the question. If the tariff be in any sense the mother of trusts, what will you do? I will tell you what we will do, we will take care of the mother and save her; we will raise her children in the admonition and nurture of the Lord. That is the way to manage trusts."

HORATIO W. SEYMOUR, Chicago:

"Trusts need not be more objectionable than corporations or sole ownership. They are subject alike with them to the laws. If they violate the laws their officers may be punished. If they secure advantages under unjust laws, purchased in their interest, or if they escape the penalties of wise laws enacted to prevent and punish crime, it is certain that representa-

tives of the people in office have betrayed their trust and would have done it as quickly if the bribe giver had represented individuals or had represented himself alone."

EUGENE D. MANN, of New York:

"Whatever is evolved from the natural sequence of events is right and proper, though the new, in comparison with the old, may momentarily surprise and even shock us. Evolution, displacements and readjustments are always going on. Mankind never halts in working out its destiny. The aggregation of commercial wealth and the consolidation of industries into what are now spoken of as trusts, are as natural and as inevitable a step in the march of human progress as was formerly the substitution of machinery for hand labour. They mark similar periods of triumph for brains, ingenuity and experience. Neither innovation was accomplished in a day, but each has come in its destined time and order. The whole problem is that of continuous and everlasting improvement. What could be said of the world's development if, from generation to generation, we adhered only to the traditions, methods and institutions of the past?"

PROF. JOHN GRAHAM BROOKE, of Harvard:

"Men will fight the trusts as they fought machinery and with precisely the same results. From the United States law of 1890 to the

various attempts in different States there is thus far no hint that these colossal forces toward new organic forms can be hindered. I believe it to be the beginning of practical sense to understand that the new combinations can in no sense be permanently smashed. The real problem, immediate and imperious, is how to regulate and guide the new force that stands merely for the latest stage of industrial growth."

DUDLEY WOOTON, of Texas:

"The tariff has enabled the corporate enterprises and syndicates to establish and solidify their tyranny over the country,and by legalizing plunder to amass such immense capital as to dominate the whole field of commercial and industrial activity. After nearly forty years of its unjust and unequal rapacity, it now hides itself behinds the trusts and monopolies of the land as behind the breastwork its own iniquities have erected."

WILLIAM FORTUNE, President of the Indiana State Board of Commerce:

"The evolution of organization has carried us rapidly through the different forms of progress and co-operative beneficence, all of which we have regarded with more of approbation than apprehension; but now, when we are confronted with vast developments, which have come by natural process from social, industrial and economic tendencies, we awaken to the dis-

covery that we have been running with our eyes shut. A startled cry of 'danger ahead' echoes over the land, and in the first flush of excited feeling there is a general demand from the people for protective measures. A pause for investigation will afford the best preparation for averting whatever may be the danger of the future. Methods of co-operation which will inure fairly to the benefit of any set of men will not, when understood, be obnoxious to the public; but when through selfishness and greed there is a perversion of these methods that results in fraud, in oppression of or exactions from one class for the illegitimate advantage of another class, there is manifestly need for the exercise of the restraining power of government for the maintenance of equitable relations between the people."

DR. HOWARD S. TAYLOR, of Chicago:

"Whatever touches the question of wealth production and distribution touches the centre of our civilization and invites from all our people such counsel and action as shall secure for us and our posterity the greatest possible good."

Gov. G. W. ATKINSON, of West Virginia:

"To sweep the trust issue into politics, and resolve one way or the other, as is the custom nowadays in political conventions so to do, it seems to me, is 'wasting fragrance on the desert air.' We must come nearer home for

a remedy than that. We must hit at its tap-root by national and State legislation by making it a penal offence against good government for men of great wealth to combine for the sole purpose of stifling and choking middle men and small dealers, as trusts have generally done in the past. Or better still, if the trusts would take their employes into their combines and their confidence, and would, after paying themselves a reasonable dividend on the actual amount of capital stock invested, agree to distribute a reasonable share of the profits among the skilled artisans whom they employ as a per cent. of profit upon their wages, the trusts would then be placed upon an honest, popular and reasonable foundation, and no one could complain or justly oppose them."

E. C. CROW, Attorney-General of Missouri:

"If the trust organizers could carry on their business through corporations with the liabilities of a partnership, the members of the trust would have the same opportunities and equal liabilities with the individual competitor. Equality of opportunity and responsibility instead of special privilege would exist. State statutes give a right of action in many instances for damages against trusts injuring competition in efforts to control the market. But where the trust is a corporation, with the present liability attaching thereto, the action can only be against the corporate entity itself.

But suppose the corporation and the members thereof had attached to them the liabilities of the partnership. Then the right of action would be against not only the corporation but each individual member of the corporation. This fact would deter millionaires from becoming members of trade combinations, make men cautious and keep down inflation of values and wild speculation."

E. P. DOWE, President of the Commercial Traveller's League:

"While trusts are for speculative purposes principally, they have other sinister designs; organized first for the money in the deals, second for a more marked line of differentiation between the few very rich and the many very poor, and, thirdly, for the virtual enslavement of labour; not for industrial economies and to reduce the prices of the commodities to the consumer; not for the good of the people, but against their welfare, and all claims by those interested in trusts or by their subservient tools to the contrary are veritable lies."

The late ROSWELL P. FLOWER:

"The possibilities of economy in production are enormous. Recently some waggon manufacturers came to New York to organize for the capitalization of their business. They figured out a reduction of one-half of their travelling salesmen by this combination. This

and other economies aggregated nearly four hundred thousand dollars, and the net profits of the concerns had not amounted in the aggregate to more than two hundred and fifty thousand dollars within a year. That is what capital combinations are doing for business."

PROFESSOR SUMNER, of Yale:

"We have before us a grand transformation of industrial methods. It is an evolutionary transition. It affects the struggle for existence of all living men. It is vital to the means of livelihood, the control of economic resources, the accumulation of capital by individuals, the prosperity of families, the education of children; that is to say that it is vital to the nearest and dearest interests of every man of us. Moreover, all the so-called 'higher interests' (science, education, religion, charity, reform, etc.) are dependent on wealth-production. It is not hypocrisy, it is a kind of antagonism between arbitrary codes and real motives which keeps up such a contradiction between what is thought to be noble principle and what is really active motive. There will be individuals who will be led by their notions about current methods of wealth-production to go out and preach against it. There will be sects which will withdraw and live outside of the movement which they dislike and condemn. With these exceptions our society will not relax in the least its eagerness to seize and develop

every device or principle which will push on wealth-production with greater energy. Whether we deplore it or not, we know it for a fact that this eagerness is the leading characteristic of our people and our time. If then, big industrial combinations will increase wealth-production, that will be the controlling consideration in regard to them. There can be no further question except in regard to safeguards and regulations."

JAMES B. DILL, New York:

"The industrial movement of to-day is of the highest order and is progressing in the right direction. It has been productive of great good to this country. It is a direct contributing factor to the commercial supremacy of the United States."

HON. CHAUNCEY M. DEPEW:

"As I look at it, the trust is on trial. If it proves, like the corporation, to be inoppressive, and a necessity to the conduct of certain operations which are for the public good, it will live. If, on the other hand, it oppresses the people, they will very quickly put a stop to it. If it violates public sentiment, it cannot live—if, I mean, it puts into the hands of a few men the manufacture or distribution of any article of prime necessity, so that the American people feel that they are dependent on any set of men for coal or steel or anything which is in universal use."

HENRY O. HAVEMEYER:

"Corporations, whether directly such or in the form of trusts, are an expedient for uniting the interests of a large number of persons of smaller means into a large aggregation of capital. Attack upon them is, therefore, an attack upon their stockholders. In the case of many well-conducted corporations these stockholders are very numerous, and are often persons of moderate means, dependent upon their income for their support. In the absence of all disturbing causes, the direct tendency of a combination of capital is to promote economy, reduce expenses and diminish prices. This does not mean that a person having anything to sell will not get for it the largest price that he can. It means that with the abundance of capital ready for investment which is always found everywhere, the only way to prevent competition is to keep prices below the competitive point."

HON. W. BOURKE COCKRAN:

"As every device which facilitates the industrial co-operation of men promotes the volume of production, corporations possess enormous capacity for swelling the tide of human prosperity, and they have promoted the well-being of every community in which they have been encouraged, in spite of the fact that the management of corporations has been the blackest page in all our history."

GEORGE E. ROBERTS, Washington; Director of U. S. Mint:

"To escape from the pressure of conditions which have been making industrial investments precarious and unprofitable to the majority of operators, the latter have resorted to the combinations. If the natural forces of the business world have a levelling influence and have for all time been steadily lifting manual labour in importance as compared to capital, why should it be believed that the latter can, by any new scheme hatched in back offices, suddenly rise to mastery? Is it not a little singular that a movement to which capital is driven by distress should excite such widespread fear that capital is about to become all-powerful? The reduction in the earnings of capital in the past has come, we have seen, through the increase in the amount of capital seeking investment and through the inventions which have reduced the amount required per unit of production. Will that law cease to operate in the future? The production of wealth is now going on in this country at an unprecedented rate. The amount available for investment is increasing rapidly every year. It will persistently seek investment, and all attempts to exclude it from employment by fencing up the several fields of industry for quiet private possession by a few with extraordinary returns for their capital are inevitably doomed to failure."

CHARLES W. FOSTER, former Governor of Ohio:

"The evolution in business from the individual to the partnership, and from the partnership to the corporation, was no more natural and necessary than is the evolution from the corporation to the trust. Let us look the situation squarely in the face. Denounce it as we may, it has come to stay. Why? Because the gigantic business operations of the present and future cannot be carried on without it. Through the trust the enormous waste that is entailed upon business operations by competition is saved; the product and the service performed is cheapened. Labour will have better opportunity to enhance wages and to shorten its hours of toil, as is so signally illustrated in the railroad service of the country. Through the trust the superior inventive genius of our people (because of universal education) will have improved opportunity."

PROFESSOR JOHN BATES CLARK, of Columbia University:

"It is well worth while to notice how much will be gained if we can safely allow the natural and centralizing tendency to go on. It means the survival of the most productive forms of business. It is first and chiefly because they can give more for a dollar than little establishments can give that the great establishments supplant them. They out-do the small ones in serving the public, and this power of superior

service is soon to have a new and unique field in which to display itself. We are entering on an era of world-wide industrial connection. Asia and Africa are incorporating themselves into the economic organism of which Europe and America are the centre. There is coming a neck and neck contest between European countries and the United States for lucrative connections with the outlying regions. There is also coming a later and grander contest between both America and Europe on the one hand, and Asia and Africa on the other, for the command of the traffic of the world. In this contest victory involves more than any hurried expressions of mine can indicate. It means a leading position in the permanent progress of the world. It means positive wealth, high wages, and intellectual gains that cannot be enjoyed by those who develop less power."

PAUL MORTON, Third Vice-President, Atchison, Topeka & Santa Fe R. R.:

"I believe that trusts will regulate themselves. Any attempt to keep prices higher than they ought to be is a direct bid for competition, and capital always stands ready for new industries to manufacture products which can be sold at abnormally high prices. Many of those who have tried it, say they like nothing better than to compete with a combination that is trying to get unreasonable profits."

J. STERLING MORTON, of Nebraska, formerly Secretary of Agriculture:

"There is much misapprehension as to incorporated capital in the United States. Oratorical vagarists have endeavoured to make common people believe that incorporations are not subject to economic laws of competition, and that the relation of supply to demand is not the sole regulator of values. The fact, however, remains that money invested in manufactories or in railroads belonging to incorporations is no stronger, no better and no more exempt from the operation of commercial laws than the money which is owned by individuals. There need be, in my judgment, no apprehension as to the trusts crushing out all competition."

CLEM STUDEBAKER, of South Bend, Indiana:

"It is folly to talk of restraining legitimate combinations. There is scarcely a corner grocery in the land that is not witness to a combination of money and brains, a combination for the mutual benefit of the combined. The whole country is built up of combinations. They exist alike in society, in government and in business. and it is as futile and senseless to talk about restrictions in this particular as it would be to undertake to make Niagara flow up stream into Lake Erie."

PROFESSOR GEORGE GUNTON, President of the Institute of Social Economics:

"Trusts, instead of being sudden monopolistic creations that have been sprung on the community by a few designing conspirators, are but the last link in an industrial chain more than a century long; they are no more revolutionary than any one of the previous links, and less so than some of the earlier ones. Each one of these links in the great chain of industrial evolution came and stayed only because it was more profitable than its predecessors to those who employed it, lessened the cost of production and served the community more cheaply. Had it not done this, it could not have sustained itself in competition with the old methods."

DAVID ROSS, Secretary Illinois Bureau of Labour Statistics:

"When the great railroads organized years ago the apprehension prevailed that rates would be advanced, and the calamity prophets of that day, like the present, were painfully realistic in describing the fate that was to destroy us. Transportation charges for freight are less by two-thirds now than they were prior to the organization, with a corresponding improvement in the service."

HENRY W. BLAIR, former U. S. Senator from New Hampshire:

"It is frequently observed that the trusts are a natural development of the protective

tariff, and the strong prejudice against the evils which appear to be flowing from them is used as an argument against the protective system. That is to say, the existence of the trust is an argument for free trade. The ordinary and perhaps sufficient reply to this assertion is the fact that the trust exists in free-trade countries as well as in our own. This fact is in itself conclusive that the trust does not originate in protection. It must be remembered that trusts are international already, and if unrestrained the tendency of capital to combine will become world-wide."

W. W. POTTER, member of the Pennsylvania Bar:

"To the community as a whole, large corporations are neither injurious nor dangerous. On the contrary, the economies effected by the concentration of capital and its direction by competent management means always the cheapening of commodities to the public."

WILLIAM DUDLEY FOULKE, of Indiana:

"The numerous laws which have already been enacted to break up trade agreements, pools, and technical trusts, have been ineffective. They have resulted in the organization of larger corporations which are more permanent and more dangerous in their character than the things which are prohibited by statute. If it were possible to break up these corporations, which may well be doubted, the men who compose them would unite perhaps in

partnerships or other forms of union to accomplish the same objects. If you break up these there are infinite varieties of organization which will take their place. The tendency of men to associate for the accomplishment of a common purpose is like the law of gravitation, and no statute will be found effective against such a tendency."

A. LEO WEIL, member of the Pennsylvania Bar:

"Large capitalization is a relative term, and considered with reference to the present trade conditions, the capital employed is not larger than is necessary successfully to carry on such enterprises. Consolidations are the out-growth and the symptom of the advancing civilization of to-day, and the inevitable tendency of its complex trade conditions."

SIR RICHARD TANGYE, the English Iron Master:

"America will one day awake to the stern reality of the evil, and when its terrible nature is fully realized some strong legislation must follow. I believe if legislation does not step in and treat these men as it would treat other deadly enemies of the State, there will be such an uprising in the States as has not been since the accession of Abraham Lincoln to supreme power. There is no tyranny in the world to be compared with the tyranny of the active, scheming gold tyrant. It is inconceivable that 70,000,000 free Americans will bend their necks

to such a sordid despotism. If they do, they will deserve to be enslaved."

MR. RUSSELL SAGE:

"The great railroad combinations we have had thrust on us recently I consider only less dangerous than the industrial combinations, because they are based on sounder considerations. Their stock and bonds have not, in general, been doubled or trebled, nor unduly inflated. But they are bad, nevertheless. They are sure to arouse the people. And the people, once aroused, are more powerful than the railroad combinations."

EDWARD ATKINSON, of Boston:

"There are some other combines where there is very little water, if any; where there has been great economy in doing the work, and which are managed with great skill at lessened cost and lower prices relatively; they have a right to stay. I do not like the methods of some of them, but there might have been no possibility of the low prices that have prevailed either for oil or for sugar or for some other articles except on an organization and combination of the ablest possible men working on a very big scale for the least possible margin of profit. The same in the combination of railroads. Follow the combination of railroads from the time when Vanderbilt organized the first system and you find there has been a steady, consecu-

tive reduction in the freight charge, increase of quantity moved, lessened margin of profits, higher wages for the engineers and workmen, and general benefit to the public. I think all those things work out by natural laws, but I do think that in many cases the existence of a protective duty helps to maintain a trust that ought not to have that influence; all trusts ought to be made subject to competition with the world.

JAMES LOGAN, General Manager of the United States Envelope Company:

"That there is danger to the State in the combination is a preposterous idea. On the contrary, the well managed combination is a distinct gain to the State. Any one who doubts this need only consult the foreign newspapers. Everywhere, he will find a cry of industrial alarm levelled, not at the individual American manufacturer, but at the American nation. This is because the combination has done for the American State what the individual was never able to do—put it in industrial control of the world. A system that in a few years can do this ought certainly to be encouraged, and as it benefits the State it necessarily benefits the individuals who make up the State."

JOHN M. STAHL, Secretary of the Farmers' National Congress:

"Trusts are the latest devices for doing things in a large way. They are the latest advance

in a steady, persistent movement that has dominated the industrial development of the last one hundred years; that has gathered the isolated workers with tools, working alone, into shops, and then has brought a score of shops into a factory, and has then combined factories. While thus developing the factory system until the result has been well termed an industrial revolution, it has none the less worked a similar revolution in merchandising, in transportation, and in yet other lines of human activity; always resistlessly absorbing and combining to put more men and greater means under the control and direction of the masterful brain that has reached the place it occupies by a civil service indisputably based on merit; truly a 'natural selection' in industry, always having for its object doing things in a larger way, because it is constantly proved that this is doing things in a more economical way (whether, all things considered, it is the best way, I cannot discuss here). Hence the trust is a logical phenomenon in this industrial development."

HENRY WHITE, Secretary of the United Garment Workers of America:

"The industrial combinations known as trusts have so entrenched themselves in our economic system that it is not so much a question now as to how they can be suppressed, but what the public attitude should be towards

them, and whether and how they should be regulated for the public benefit. They are already a phase of our industrial development, and being here have at least some presumption in their favour; but they are not yet sufficiently established to give them the sanction of time and experience. They have just forced their way into the arena of public activity. The benefits derived by the community from them still require demonstration, likewise adequate proof as to the dangers attending their existence. Simply citing cases showing abuses is no indictment against the method itself. We must distinguish between the use and abuse of a thing, otherwise no human institution could stand. While pointing out the evils of trusts we must not forget the serious grievances of competitive business—its limitations, its wastes, its uncertainties. Workingmen are only too familiar with the disheartening reply when asking for an increase of wages, 'Can't afford it on account of competition.' The trust method, at least, changes that situation so far as ability to concede better conditions is concerned."

SAMUEL M. JONES, Mayor of Toledo, Ohio:

"The triumph of the trust is one of the marvels of the closing years of the nineteenth century; but they are an economic development, strictly in the line of progress, and our problem is not how to destroy them, but how to use

them for the good of all. Like their prototype, the labour-saving machinery of wood and iron, they have come to stay. A labour-saving machine might have great value on account of its producing capacity, but might be so destructive of human life as to make it imperative that it should be so improved that its 'saving' power might be utilized without injury to the operative. Thirty-five years ago I saw a mob of teamsters trying to destroy the first pipe line ever built for the transportation of oil. They feared that the pipe line was an attack upon their craft. The movement against the trusts rests identically on the same moral basis as the rage of a mob against the pipe line, elevators and labour-saving machinery generally, and I predict that it will have the same result in the end. All the legislation thus far against the trust has been almost as futile as a law against the change in the moon's phases or the ebb and flow of the tides. We are not going back to the individualistic method of production. We are not going to pull down the department stores in order that the people shall sustain fifty small stores in place of the one department store. If that is what we propose, let us continue the principle; destroy the small stores and turn the business over to the peddlers. This will be carrying to logical conclusion the senseless objection to the department store and the trusts. The trust is preparing the way, showing society the great benefits that may be de-

rived through association in industry and the great economic value of association, both in production and distribution. An invention that lightens the burden of the world's toilers and makes it possible for one man to do the work of twelve is a 'labour-saving machine.' Does it matter whether the machine is made of wood and iron or composed of organizations and associations of men? If the result is the same it is a labour-saving machine. In this sense the trust is a labour-saving machine."

UNITED STATES INDUSTRIAL COMMISSIONERS' REPORT TO CONGRESS, February, 1900:

"Industrial combinations have become fixtures in our business life. Their power for evil should be destroyed and their means for good preserved."

EDWARD KEASBY, of New Jersey:

They have been the means of the co-operation of individuals and the carrying on of large undertakings. They have accomplished too much for this country to be destroyed. It may turn out that some day great corporations will organize, well managed, conservative and steady, free from the dangers of bitter competition, regulating prices according to demand, which will have the investment of all the people of the country, so that there will be a means of safe, steady investment, such as no ordinary

business corporation is now, because of the danger of sudden destruction."

ED. W. BEMIS, New York Bureau of Economic Research:

"The trust problem, like the slavery question, will take a generation or more to settle, and, like the slavery question, will entail endless trouble unless approached intelligently and with deep conscientious devotion to the public weal."

M. M. GARLAND, former President of the Amalgamated Association of Iron and Steel Workers:

"The working people are appealed to in almost every State to urge the passage of some pet measure of certain representatives to law-making bodies which propose to crush out trusts and combinations, and while it may be that labour unions do not possess the skill, cunning and capability of trusts, to defeat the aim of the enactment, it is certain that the application of such legislation has found its final and only target to be the labour union. Future anti-trust legislation must be drawn with a full knowledge of whether it is intended to cover the evils claimed by its title, or whether it is to restrict the efforts of the workman in the organization of his fellow men.

"Thus far, in this new day of trusts, the workmen in rolling mills find their inclination

is to treat with organizations. Annual wage-scale agreements were presented by our representatives and conferences arranged promptly. An advance in wages ranging from 10 to 25 per cent., in different departments, was secured, and further advances in wages seem assured by reason of advances in prices of material and product, which is one of our agreements."

ATTORNEY-GENERAL GAITHER:

"Modern monopolies or trusts claim no protection from the law; on the contrary, they simply ask that they shall not be interfered with, relying upon the crushing power of the exclusive privileges which their own control of great aggregations of capital has obtained for their flourishing existence. The old monopoly was a creature of the law, the modern trust seeks to establish itself without legislative assistance, and in many instances in defiance of express enactments. It is manifest, therefore, that present constitutional prohibitions against monopolies do not touch the modern type of these dangerous elements in the business world —that a prohibition on the sovereign power from creating an exclusive privilege in business cannot prevent such privileges from being exercised when acquired by means independent of the sovereign itself. We must consequently look for the machinery to properly deal with these new creations of modern industrial life in new legislation applicable to the new phe-

nomena, and not in any attempt at adaptation of old principles which were meant to apply to practically opposite conditions."

LOUIS F. POST, of the National Single-Tax League:

"Trusts are buttressed by protection or have direct special privileges, like railways, or peculiar land advantages. In the last analysis trusts cannot be perpetuated unless they come to own the natural sources of supply and distribution —the land. Like Antæus, they must have their feet upon the ground. And it is only by forcing their feet off the ground that we can destroy them. Abolish the tariff, abolish all monopolies that can be abolished, take public highways for public use and collect from land owners the annual value of their special advantages—do that and you put an end to the trust. You cannot do it in any other way."

THOMAS J. MORGAN, of Chicago:

"We socialists rejoice that the trust has come to show you that the logical sequence of the ownership and control of what is now known as private property and the resources of the earth—all you business men and members of the great middle class have to make up your minds—that the private property of this great country and others like it, as our friend has said, will be organized into trusts until there will be one trust and you will not be in it. You can

send bands of music to your legislatures; you can pass resolutions; you can hold your demonstrations everywhere, but the concentration of private property, the right of man to own all he can get and hold all he gets, will go on with irresistible force so long as the principle of private property in the things by which we live is maintained by you men."

JOHN W. HAYES, Secretary and Treasurer of the Knights of Labour:

"To sum up the whole, this policy of the trusts is an aggressive invasion organized against the best interests of society and destructive to our free institutions and popular government. It is too often the instigation of fraud, corruption, bribery and treason. It is the ally of despotism, tyranny, mercenary selfishness and slavery, and is the enemy of the elevation of the race and the equality of man."

ED. ROSEWATER, Editor of *Omaha Bee:*

"We are confronted by grave problems generated by the industrial revolution of the nineteenth century. The trust is but the outgrowth of natural conditions. The trend of modern civilization is toward centralization and concentration. This tendency is strikingly exhibited in the congestion of population in large cities, the building of mammoth hotels, tenement blocks, sky-scraper office-buildings, the

department store and colossal manufacturing plants. The monopolistic combinations of corporate capital known as trusts have their origin in over-production and ruinous competition. Honestly capitalized and managed, with due regard for the well-being of their employes, and operated economically for the benefit of consumers of their product, these concerns are harmless."

II.

THE TRUST IN OPERATION

THE following excerpts from the testimony given by Mr. Charles R. Flint, before the United States Industrial Commission, in March, 1900, have a special value as the unstudied opinion of a great "trust-builder." They also describe the effect of industrial combination as seen in actual operation, thus serving as practical illustrations of the theories contained in the preceding essays.

WASHINGTON, D. C., April, 1901.

The commission met at 10.46 a. m., Mr. Farquhar presiding. Mr. Charles R. Flint was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) You have had in your business some personal relations with various industrial combinations, I understand. Will you be kind enough to mention some of those with which you have been connected as organizer?—A. I have organized, or been one of the organizers, of the National Starch Company, the American Caramel Company, the Sloss-Sheffield Company, and the United States Rubber Company. [A later list would include the United States Bobbin and Shuttle Company, the Union Selling Company, the American Chicle Company, the International Time Recording Company, the Rubber Goods Manufacturing Company, the Fairmont Coal and Clarkson Fuel Company, the Computing Scale Company, and the Pacific Packing and Navigation Company.]

Q. Will you state briefly the reasons that influenced the different concerns that were previously separate to come together into these combinations?—A. To secure economies through combination, and to have the property in a form where it would have a current market value.

Q. That is, in stocks and bonds instead of in the plants themselves?—A. In realizable securities. By joining the combination the individual manufacturers recognized that in the event of death or disability, their successors, instead of having to compete with the best intelligence in the industry, would have that intelligence allied with them to protect all their interests. Then the inducement on the part of many people has been that, owing to the war of prices which has existed (such wars being the death instead of the life of trade), they have felt forced to enter into combinations in order to avoid failure or serious depreciation of their interest.

Q. So far as the danger that comes from the death of members of those separate industries is concerned, is there not a difference between a great combination controlling a large share of the output and a partnership?—A. Provided there exists a union of interest of the ablest men in the industry, the efficiency and ability of the management is not materially reduced in the event of death. An individual corporation, however, no matter how well organized or how well established, in the event of the death of its head fails for want of ability of the first order in its management. The best example of that which I have in mind at the moment is the way the business of A. T. Stewart went to pieces after his death. If that had been a part of a combination and Mr. Wanamaker had been in the combination, it is reasonable to assume that the business never would have declined.

Q. You spoke of various economies that it was expected might be made. Will you take that up a little more in detail?—A. In general, centralized manufacture permits the largest use of special machinery. In

the different combinations the manufacturing has been centralized and economies secured through the adoption of more economical methods which are made possible by the centralization of a large volume of business. Then, by running a factory full time, which can be brought about through centralized manufacture, there is a substantial reduction in the percentage of overhead charges. In recent calculations we have found that the percentage saved in the cost of production by running a factory full time instead of half time is from 4 to 8 per cent. In certain industries there have been substantial economies through direct sales—direct distribution—although in securing economies in that department of the business very great care has to be taken not to decrease the efficiency of the organization. One of the dangers that industrial organizations are subject to is that the management, desirous of securing economies, are liable to go too far in securing economies in the sale of their products. In doing so they are very likely to reduce very seriously the efficiency of that branch of the industry. Substantial economies can be made in that way, but great care must be taken in effecting them.

Q. Does it make any difference as to the kind of goods that you have to dispose of whether you can make economies in this way by selling direct or through agents?—A. A very decided difference.

Q. Can you illustrate that?—A. The American Chicle Company is enabled to distribute a large amount of goods owing to the fact that it has trade-marks that are very highly regarded by the public. In the case of the American Chicle Company the most complete centralization has come about. The whole business has been centred in one office, but they have 30,000,000 customers that insist on having their particular brands.

Q. In the case of the American Chicle Company, then, your idea is that they may make these economies in selling by lessening the number of travelling men or by lessening the amount of advertising?—A. Yes; by re-

ducing the amount of advertising, although great care must be taken not to go too far in that direction.

Q. They can make the advertising more efficient?—A. Since combination has been brought about they can secure the same results at considerable less expense, owing to the more intelligent distribution and method of advertising; and advertising in a very large way enables them to secure more favourable rates.

Q. In the case of these companies that you have been speaking of, has there been any material saving by reducing the number of travelling salesmen?—A. Yes.

Q. Is there any other saving that had been expected from the combination?—A. By centralization there has been a reduction in the carrying of stocks, thereby reducing interest, insurance, storage, and shop work.

Q. How is it you are able to reduce the stocks you carry? Is it because you can gauge the markets better and fit your supply better to the demand?—A. Yes; production is regulated. That is one of the great advantages of industrial combinations. Where there are a large number of concerns that are competing without any general understanding or plan, there is a tendency to overproduction, with the result that markets become demoralized. Overproduction is a breeder of panics, and failures result. When these interests are combined, production is regulated to the requirements of the country to a large extent.

Q. Can you think of any other sources of saving that operate?—A. The advantage that results from standardizing production by reducing the number of styles. That causes a substantial reduction in the cost of manufacture, and helps to reduce stocks. Then, too, the company has the advantage of the highest intelligence in the industry in adopting the best standards.

Q. Can you mention whether you expected to save anything, or have saved anything, in the way of freight charges?—A. Yes; a well-managed combination takes advantage of the cheapest transportation facilities. They will ship goods to the West, for instance, when they

can get the advantage of water freights on the lakes. They have storage facilities at western points, and the rate of freight is considerably less during the summer than when water transportation is closed; the well-managed industrials take advantage of these conditions.

Q. (By Mr. FARQUHAR.) Are there not some economies in the purchase of raw materials? You have said nothing at all about where you get your raw materials; whether under combination you can secure them cheaper, or make arbitrary rates from the parties you buy them from.—A. As a rule there is not much saving to be secured in the purchase of staple merchandise. In some instances the large consolidations are at a disadvantage, owing to the fact that they are such large buyers. In general, I should say that some economies can be secured by them, but these would not be important unless the combination should use a very large percentage of the raw material produced. In considering the raw material market, it is necessary to include in your calculations all the raw material in the world, owing to the present facilities for quick transportation. Raw material in London is as available as if it were around the corner; therefore, unless an industry uses a large percentage of the raw material that is produced in the world at large, no important advantage can be obtained.

Q. Can you mention any other savings that you had anticipated in the formation of these companies?—A. When men come together who have heretofore been in competition, they bring to the common interest a very complete knowledge of the credit conditions; and a combination must guard itself against bad debts.

Q. Do you think of other economies?—A. The general advantages that result from comparative accounting.

Q. You know that Mr. Havemeyer said that the protective tariff was the mother of all trusts. I would like to ask you if that is true in regard to the combination of the rubber industry, whether the tariff has enabled you in any way to make a combination?—A. No; the relation

of the tariff to the rubber industry has received practically no consideration on the part of rubber manufacturers, except in the case of rubber clothing, which would amount to, say, less than one-half of 1 per cent. of the total industry. Very few rubber manufacturers could tell you what the percentage of the duty is. They have not given it any consideration.

Q. (By Mr. LITCHMAN.) Is it not true that the manufacture of mackintoshes is protected in this country by the tariff?—A. Yes; but there are people who insist on wearing English clothes, and they are supplied by the mackintoshes of London.

Q. Then, as the promoter of this combination, you are not able to say whether the tariff is any benefit to the rubber industry or not?—A. I could not say. I assume that if the tariff was entirely removed it might be that some parties would take advantage of the lower rates of wages in Europe. In fact, Americans would be very likely to establish factories abroad, utilizing the cheap labour, and then bring the products into this country. The most important rubber factory in Great Britain, for instance, was established by an American. He took the machinery over there and established the business in Edinburgh. In the event of the tariff's being taken off, I should say that the rubber manufacturers would take advantage of the low-priced labour and take American methods to Europe and so would be able to produce rubber goods cheaper than they could be produced in the United States.

Q. Are you familiar enough with labour in this country and in Europe to say anything with regard to the relative efficiency of labour here and there?—A. In general, I believe that American labour is more efficient than European labour, especially where the American workman is bossing the machine: where he occupies the position of an overseer. The machinery is doing the work that pauper labour is doing on the other side. But in the manufacture of rubber boots and shoes, and in industries where

the greater part of the work can not be done by machinery, but is done almost entirely by hand, I am satisfied that you can get more labour for your money in Europe than you can in the United States. If you will examine our exports, you will find that a large percentage of our exports of manufactured goods are the products of machinery where the American workman is an overseer of machinery instead of a hand labourer. On the other hand, you will find that the neutral markets are supplied by the cheap-labour countries with articles in the production of which hand labour predominates.

Q. You spoke sometime ago about the advantages or savings that came from concentration of management, and then later, in another connection, of the advantages that came from stimulating individuality in the management of plants. I wish you would develop that thought a little further, if you will, and speak of the kinds of industry that are particularly adapted for the concentration of management, and of the others where the retaining of the individuality in management is more desirable. —A. In general I think that a centralized management is the most desirable if there are men of sufficient intellectual ability to administer an extended business; but it is difficult to find a man of sufficient ability to run one large business, and there are few intellectual giants that have the ability to run ten or more large businesses. In my judgment one of the dangers to the success of industrials is that parties, without being intellectual giants, are liable to attempt to centralize too much. Taking men as they are, I think that in businesses where high-class ability is required at many places, where the business is not of such a character that its conduct can be reduced to rules, where its success depends on local ability and local judgment, and where the efficiency of the selling department is involved with long-time personal relations, it may be very dangerous to suddenly centralize such a business. It is far wiser, I think, in a case of that kind, to sustain the independence and individuality of

the separate concerns. In that way you have the advantage of the organizations that have created those concerns, and by an adjustment of compensation, based somewhat upon the earnings of those individual concerns, you sustain the individual interest that is essential to success. At the same time your central organization has the advantages of comparative accounting and comparative administration, and is able to hold the separate concerns to a strict accountability, or, by appealing to their pride, to promote a healthy spirit of rivalry. In many cases it is my judgment that this idea of centralization can be carried too far, and that it is often much better to have these concerns run independently. Now, it may be said that you do not get the full benefits of centralization. That is very true. But, on the other hand, I believe you get a more efficient management than you would by centralization. Under that plan, through a system of comparative accounting, you are enabled to measure the different managements, and you can go a long way toward bringing the standard of all up to the standard of the best.

Q. You spoke of comparative accounting as one method, and of arranging the pay of the superintendents in part by commissions on the profits of the business as another method. Are you inclined to think that those two methods may practically take the place of the regular competitive system, in the way of holding up the standard of excellence in work, and holding up also the interest of the superintendents?—A. I have not any doubt but that we can thus hold up the standard of quality. In most cases I think that the pride which a man, knowing that his work is being compared with others', has in handling his business successfully, together with the incentive given him by an interest in the profits of the business he is managing, keeps up the individual interest that exists where the person possesses a large ownership. But in many cases it does not. One of the fundamental difficulties of the management of these corporations lies

in the fact that the managers have a smaller percentage of interest in the operations that they are conducting under the plan of an industrial combination than they had when it was an individual property, or when they had a large interest in a small corporation. That is fundamental. There is no way in which that condition can be changed. My experience has been that the best way to meet that condition is through an accurate system of comparative accounting, and in that accounting it is advisable not only to compare general results, but to compare details so as to find the cost of different parts of the process. At the same time it is advisable to have the managers interested in the profits of the business. That comes as near as possible to solving the difficulty. On the other hand, there are lines of business of such a character that they can be all handled from a central office. Such a business can be reduced to a very accurate system. For example, the manufacture of metals can probably be reduced to a more accurate system than the manufacture of rubber goods, since in the former there is no way in which you can utilize the chemist to any extent. You can not lay down any positive rules as to chemical combinations, because those materials are constantly fluctuating, and there is such a great variety of conditions to meet that the business of manufacturing rubber goods must largely depend on local intelligence, and that necessitates high-class ability in the local management. And such high-class ability is well paid. Sometimes the salaries of the chief executive officers are very small as compared with the earnings of local managers. I know of cases where the payments to local managers are three times what is paid to the chief officers of the corporation.

Q. That does not hold where the industry is more concentrated, of course?—A. In case of concentration the big salaries are at the top.

Q. That brings up another question in connection with the relations of the combinations to the labour

interests. We have already spoken of the relations of travelling salesmen; how about superintendents in your factories? When you make a combination are you generally able to save any considerable part of the cost of superintendence?—A. Only by centralized manufacture. There is some saving in superintendence, but that is not a large item.

Q. The more the industry is concentrated the larger that item would become?—A. Yes.

Q. What is the attitude of combinations towards trade unions?—A. We have never had a strike in any industry that I have been connected with, and that is the best evidence that we get on very well with our labouring men.

Q. I wish you would consider a little further this question of the tariff. You spoke of it in considerable detail in reference to rubber manufacturing. How do you consider the tariff as related, for example, to the manufacture of starch?—A. Inasmuch as we are the cheapest producers of corn, and the manufacture of starch is conducted principally by machinery and not by hand labour, I think that the question of the tariff is of very little importance as relating to that industry.

Q. As regards practically all the industries you have mentioned—the rubber, chicle, and starch—the tariff, then, has practically very little to do with them?—A. That is true. But in the case of rubber and rubber goods, and particularly the manufacture of boots and shoes, inasmuch as the great percentage of the labour is hand labour, the removal of the duty might force the company to manufacture its goods in Europe in order to avail itself of the cheaper labour of Europe. But in the case of the manufacture of starch, I think we get cheaper labour than we would get in Europe, because it is a question of the labourer occupying the position of overseer over machinery; and the American overseer being, in my judgment, a man of greater efficiency and higher intelligence than the European labourer, I think we get more for our money than they get in Europe.

Q. The statement is frequently made that these larger combinations are able to put the prices of their goods unduly high on account of the protective influence of the tariff; and the suggestion is even made that the tariff should be removed in order to prevent the abuses of trusts along that line. What is your opinion on that question?—A. In general, I think that every year our export trade is going to become of greater importance, and I think we should tend to freer trade. The only danger that exists at present in international trade is the danger of a war of tariffs; and in revising duties the fact that these large consolidations are in a position to gain advantages in manufacture through centralization should be taken into consideration. But any legislation that would discriminate against trusts in general would be most disastrous to labour interests and would create an industrial panic.

Q. You think combinations have been useful and efficient in the way of stimulating export trade?—A. I have no doubt of it; and the best evidence is the fact that the great bulk of our exports of manufactured goods is produced by great combinations.

Q. Do you think there is danger, on account of the tariff, of their keeping prices high enough here so as to make their profits secure, and then holding the foreign market by too low a reduction of prices to foreigners—selling abroad steadily considerably cheaper than they do here? —A. That condition does not prevail. There are times when there is a surplus, when manufacturers will seek a foreign market at a concession. That is true in all manufacturing countries. It does not apply especially in the United States, but it is true in all countries. It is true in England, where there is free trade.

Q. Is there any difference in that particular between trust-made goods and those made independent of trusts? —A. No difference. On the contrary, there was far more of a disposition to make concessions before these combinations, from the fact that individual manufacturers

were more under the necessity to realize quickly. The great industrial combinations, by the great advantage they have in regulating production, avoid excessive production, and therefore are less likely to be under financial pressure.

Q. (By Mr. FARQUHAR.) When you speak of a change in the tariff—any modification at all—do you think an advantage, however large theoretically, would practically justify the cutting of the tariff in two on any article? Do you think it subserves the whole interests of the country to tinker with the tariff in that way?—A. I think tinkering with the tariff has always been decidedly prejudicial to business interests. It creates unrest and uncertainty. Still, if there is to be a change, we should tend to freer trade. Considering the fact that we have a balance of trade in our favour of $650,000,000, in dealing with the world at large we can lower the wall of protection rather than put any more bricks on top of it.

Q. How far would you lower the wall in the admission of foreign goods in competition with American workmen?—A. I believe as a matter of national interest that wages should be sustained, but that in regulating the tariff there is no general rule that will apply. Many matters must be taken into consideration. I do know, however, that any legislation to reduce the tariff on goods made by combinations would be most unwise; and I can not imagine any action that would be more prejudicial to the labour interests of the country than that, because it would result in American manufacturers going to the cheapest labour markets in the case of goods in which hand labour is an important item of cost.

Q. (By Mr. CLARKE.) What effect would it have on the competing industries here—those that are outside of the combinations?—A. It would prejudice them to a greater extent than it would the combinations, from the fact that the former would have less financial ability to deal with a problem of that character. The corporations or combinations have surplus financial strength to deal

with abnormal conditions, while the individual manufacturer is, as a rule, using his facilities up to their full extent.

Q. Do you think that, under any conditions, an increase of the export trade by reason of a modification of the American tariff which might discriminate against American wages would be an advantage? That is, should we not rather seek a foreign market than maintain and hold a home market?—A. It is very important that we should have a widely distributed market. With a widely distributed market we are less subject to the effects of periods of contraction and expansion. I have noticed during periods of contraction that the manufacturers who have had foreign markets have run their factories and continued to have a satisfactory business, while the manufacturers who were dependent solely on the home market were under a very serious disadvantage. Consequently I think it is very desirable that we should do everything possible to extend our markets abroad, But there is no reason why we can not hold our home markets while extending our markets abroad. I do not see any substantial conflict of interest there.

Q. (By Mr. KENNEDY.) If there should come world-wide combination in any industry—and it has been more than hinted at in some cases—where would the manufacturing be done? In the country where the labour is cheapest? Take the rubber industry for example.—A. No; that is, if other conditions remain the same, the manufacturing would be done in the countries where the merchandise could be produced to the best advantage with relation to the market for it. For instance, you have an example of what might almost be spoken of as a world combination in the Singer Sewing Machine Company. They have, I understand, about 50,000 employes. They are manufacturing in different parts of Europe and in the United States. They are manufacturing in the United States for the United States market. The conditions that prevail in that case would prevail generally because that is a case quite in point.

Q. If there were a world-wide combination in any industry, the owners would not care whether there was a protective tariff in any country, would they?—A. No; but these combinations are limited by the impossibility of finding men of sufficient capacity to handle such an extended business. If one concern owned all the factories in its branch of manufacture in the world, it would be immaterial as to whether there was a tariff or not so far as that industry was concerned, but it would be material to the labour interests of the country.

Q. How far is monopoly maintained by crushing competition in its incipient state?—A, The only way that competition can be affected is by creating and maintaining facilities for the lowest cost of production. Industrial combinations, unless they are favoured by public franchises or by government patents, are subject to the law that "trade follows the price, and the lowest price makes the market."

Q. Does not a strong combination, already having control of the market and foreseeing competition from a new industry, have power to crush that new industry by underbidding it, even at a loss to itself, and thereby prevent that incipient corporation from developing into a rival?—A. The great combination is subject to very great disadvantages in a case of that kind. Inasmuch as the output of a great combination is so very large, a reduction of price of small account to the individual concern is of enormous account to the combination. Therefore the condition must be very exceptional where a great combination would reduce prices, because the loss would be very heavy and very great. But if the great combination creates facilities for economic production, then they can hold a market by making a lower price to the consumer, and in my judgment when they have held a market in that way it results in the greatest good to the greatest number.

Q. What is the effect on wages?—A. The effect on wages is, in my judgment, that they are to a very large

extent sustained owing to the advantage which we get in producing goods by the centralization of manufacture. In making a market we figure up the cost. We say, European wages are 40 per cent. less than ours. As against that we get an advance through combination, through economic methods, through the use of special machinery made possible by centralized manufacture. The effect of these combinations is to give us an advantage that enables us to sustain wages in this country.

Q. What is the effect on the possibility of employment for the individual workmen?—A. At times these combinations, in order to produce under the most economic conditions, throw workmen out of employment; but in the United States there is sufficient employment during periods of prosperity (such as we are having now, when these great industrial combinations are working under the most advantageous conditions) to enable a workman to find employment in other lines, and the general effect is that the workman gets more money for his work, and he gets more produce for his money.

Q. Do you think it is easy for a man who has worked a good share of his life in any one industry to adapt himself to any other line of employment?—A. No; but I think that in general, in looking at the question from the point of view of the greatest good for the greatest number, there is a general advantage in the conditions that bring about a low cost of production. I think that is evidenced by the fact that in the history of the world there has never been a time when the wage earner was living as well as he is in the United States to-day.

Q. Do you think that is due to the combination of industrial enterprises or to combination among the workmen themselves?—A. I think it is largely due to the prosperity existing in the country, which has to a great extent been brought about by these industrial combinations; but I also recognize the right of the wage earner to look after his interests.

Q. That leads up to the point I wanted to bring out,

as to how far is there growing a community of interest between the employer and the employe in these large industries?—A. I think there is a growing feeling on the part of the workmen that they are being benefited by the conditions which are making this a period of prosperity.

Q. Do you think there is a sentiment among the managers of these corporations that it is wise to cultivate a friendly feeling with the workmen employed?—A. I think so; and it is with great satisfaction that I am able to state that no industry with which I am connected, or ever have been connected, has had a strike.

Q. You have spoken several times as to the benefits that come from these combinations. I wish you would call our attention to the evils of these combinations as they appear to you from your experience. You have already mentioned one danger in the lessening of a personal interest on the part of the superintendents and manufacturers. Perhaps you can think of some other?—A. Well, there is always the disadvantage that would result from the improper direction of a great combination—like a modern steamboat as compared with a canoe in case of misdirection. The responsibilities become very serious and, in general, unless substantial economies in production can be secured through combination, I think it is far better for the parties to run their business independently, because there is certainly a disadvantage in individuals turning over the management of their property to boards of directors. There comes a question of weighing advantages and disadvantages; but it would appear from the many combinations that have been formed, and are still being formed, that those best able to judge have regarded the advantages as outweighing the disadvantages.

Q. Are you inclined to think that there are a good many lines of industry where combination would not be advisable?—A. I think there are. In many cases I have refused to take part in assisting to bring about consolida-

tions because I did not feel that there were any substantial economies to be secured. That is always the way I measure a proposition when it comes before me. At the very outset I study the question as to whether there are any important advantages to be secured by combination—advantages in reduced cost of production and distribution—if not, I advise parties against entering into a combination or attempting it.

Q. (By Mr. CLARKE.) Mr. Carnegie wrote the commission that in his opinion the only danger from trusts is to the people who are in them. Does that suggest to you some possible danger that you have not mentioned?—A. It is evident that while there is a centralization of manufacture going on there is a decentralization of ownership; that there are a hundred times as many people interested in our industrials now as there were twenty-five years ago, and there probably will be at the end of another ten years a hundred times as many more. So these interests are being more widely distributed. That is true of every industrial in which I am interested; and consequently it is a matter of very serious import to the investors that these concerns should be managed in the interest of the stockholders. There is this fact, however, in thinking of one of the advantages I have not already mentioned: These combinations are giving the public opportunities for profit that they would not otherwise possess. I had a calculation made showing the average earnings of 37 railroads to be 4 3-4 per cent. on the market price, and a little more than that on the par value of the securities. If it had not been for the creation of these industrial securities I am satisfied that the percentage would have been considerably less. But in figuring the earnings of 47 important industrials, and not including the Standard Oil Company, which has been an unusual success, I find that the average earnings on the capitalization is over 7 per cent., and that the earnings are over 11 per cent. on the present market price of the industrials. So the profits of these industrial combinations are being

very widely distributed. But, on the other hand, these investors are to a considerable extent dependents on the management.

Q. (By Mr. JENKS.) I suppose, speaking generally, a controlling amount of the stock is held in a few hands in practically all combinations?—A. Not a majority; but, as a rule, in most of the industrials the managers are the larger stockholders.

Q. (By Mr. LITCHMAN.) The more widely extended the ownership, the more serious and far-reaching the disaster in case there is dishonest or inefficient management?—A. Yes. But we have arrived at a point now where a disaster to one or two industrials is not going to seriously affect the entire industrial situation. The failure of Cordage in the spring of 1893 discredited almost every industrial then existing; but there are so many industrials now that have been organized and the system is so well understood, that a disaster to any one or two industrials would not create any general depression in industrial interests.

Q. I have seen recently that those who are championing industrial combinations claim that one of the results will be that production will be so controlled that there will be no overproduction and there will be no panics in the future. Do you think that will be one of the future results of these industrial combinations?—A. I think they will go a long way toward preventing panics.

Q. (By Mr. JENKS.) Speaking generally, and without reference to these combinations you yourself have represented, do you consider that there has been any particular evil to the country from overcapitalization in these industries?—A. I think there have been many cases of overcapitalization that have been very prejudicial. In many it has had a salutary effect. It has made investors less careless. I think that many of them will be more careful in making investments. The best evidence that there has been in many cases decided overcapitalization and also a bad management is the present market prices

of certain shares, and I think that the result has been that the investors will be more careful. It is my opinion that the banking houses who have endorsed unsound capitalizations have been discredited to such an extent that they cannot repeat the operation. Speaking generally as regards the capitalization of these industries, it seems to me that care should be taken to protect the senior securities, which are regarded as investment securities. The common stock, although its amount may appear large, is well known as a rule to represent good will. The word "common" is engraved in big letters across the face of it, and people in general have noticed that that is not as a rule investment security at this time. I have no question but that in time many of these industrial securities—many common stocks to-day might be classed as speculative securities—will become investment securities, as are to-day our railroad shares that were originally issued for good will. In general I have no doubt that the public have been benefited by these capitalizations. They are, in my judgment, receiving double the income that they would get if these industrial securities had not been created. Formerly the great manufacturing interests were in a few hands, and to-day there has been a wide distribution. Of course when you hear of some of the profits that have been made by organizers and promoters, they seem large in amount. But if you want to have an industrial combination created, it will not be an easy matter to find a man of sufficient ability and financial responsibility to take it up. There has to be an inducement offered, because it involves a risk, a very high class of work; and I think that men who go to New York to-day to interest people in forming industrial combinations do not find it an easy matter.

Q. Perhaps you can take a moment to tell us whether you think any legislation in relation to these industrial combinations would be desirable; and if so, of what nature it should be?—A. My idea is that affairs of trade are best regulated by natural laws. It is very difficult

to suggest legislation of any radical character that can supplant to advantage the natural law of supply and demand. For instance, the courts in Germany have sustained the agreements which we call restraint of trade agreements. The result of this has been that there have been fewer combinations in Germany. In this country laws have been passed against agreements between corporations for the purpose of regulating trade. Well, that very legislation has had a tendency to force organization of industrial combinations. The legislators who formulated the restraint of trade laws did not anticipate that those very laws would be one of the strongest reasons for bringing about the organization of industrial combinations. The idea has been suggested of creating conditions to limit the compensation of those who organize industries; but if, as I know it to be a fact, it is difficult to get bankers of strength or ability to take up that class of work now, while there is no restriction, it would make it still more difficult if there were restrictive legislation. While I think it is desirable that there should be a system sustained for proper auditing and accounting, and regulation as to the issuing of securities, the evils which have developed in connection with the organization of industries are being corrected by natural laws. The careless banker has lost his reputation; the careless investor has lost his money; and the result of it is greater caution all around. The fact is that we have been, in a way, passing through a period of education. Every day the people in general are becoming educated as to these organizations. This commission is doing valuable work in that direction. As combinations are better understood they will be organized on a sounder basis and will have more intelligent management.

(Testimony closed.)

III.

A LIST OF BOOKS RELATING TO TRUSTS

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